GETTING OUR LIVING

An Elementary Introduction to the Economics of Daily Life

FIENNES & PILKINGTON

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GETTING OUR LIVING

AN ELEMENTARY INTRODUCTION TO THE ECONOMICS OF DAILY LIFE

BY

GERARD FIENNES

AND

L. G. PILKINGTON

LONDON

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PREFACE

THIS little book is not intended to be an addition to the many text-books already in existence on Economics. It is just a brief account, accurate, we hope, as far as it goes, of some of the facts, problems, and responsibilities that all boys and girls will have to encounter on leaving school and entering industry. It has been written for use as a reader in the upper standards of elementary schools and the lower forms of secondary schools. It is hoped that it will provide a sound foundation for the further study of the subject on leaving school and an incentive thereto, by proving that Economics is both practical and far from dry.

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read this little book, you will find how these "laws" are applied to your everyday life, to your wants, to your work, to the things you buy and sell, and, above all, to your dealings with other people.

We talk about our "civilisation." The word comes from a Latin word meaning the "City" or the "State," and civilisation means the art of living peaceably with our fellow-men, helping them and being helped by them. To be "civil" means to restrain our tempers and our tongues, so that our lives and those of others may go smoothly, and that we may give the best of ourselves and get the best out of others. The use of Economics is to teach us how we may serve each other in the satisfaction of our common wants.

Directly a baby is born it begins to "**want**" things. The first want it is conscious of is food. It cries for food, and it cries if it is cold. So it wants also clothes and shelter. And, all our lives through, food, clothing and shelter—that is, a house to live in—are our first wants.

As we get older we have more wants. We want books to read; bats and balls to play with; pictures to look at; a bicycle, perhaps. And, as the world has grown older, and civilisation has become more widespread, men and women have wanted more and more things. In very

early days men ate acorns and drank water. Then they learned how to grow corn and make bread, and some one discovered the way to make wine of grapes. Next they killed wild animals for meat. But soon they found it more profitable to catch the animals and tame them, so that they might use not only their flesh for food but also their milk—out of which they learned to make butter and cheese.

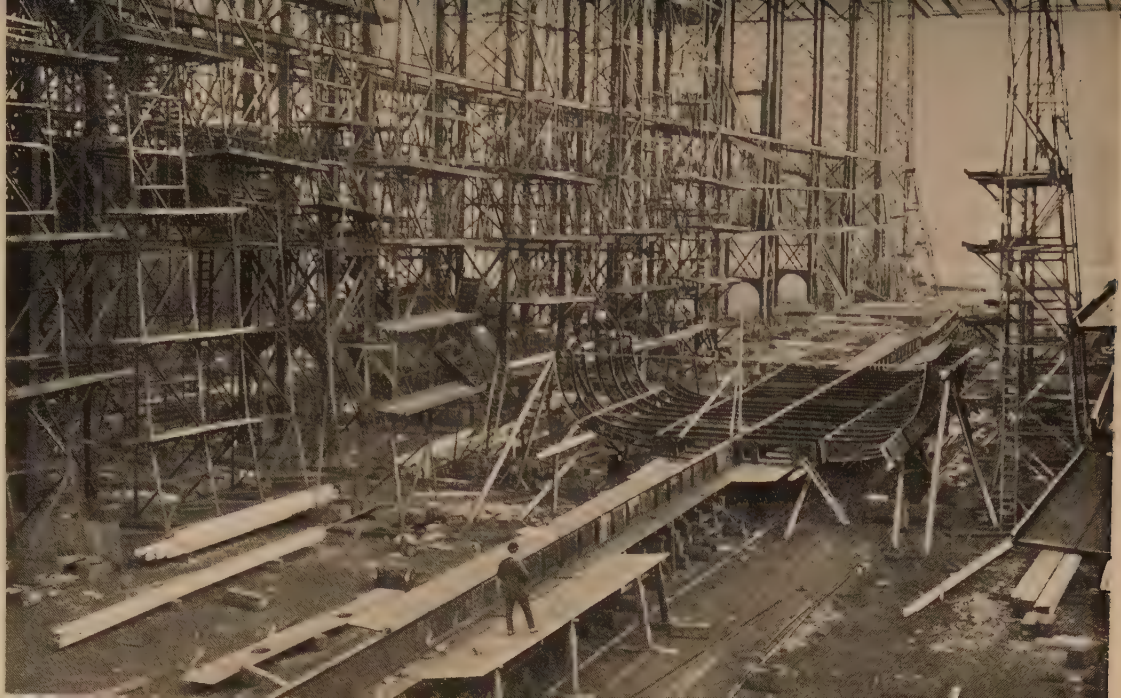
After a time, men began to build boats and cross the seas to other lands in which they found things which were not to be found in their own, and they began to "want" more and more. Tea and sugar, for instance, and pepper and raisins and currants, which are all "necessaries" to us to-day, were none of them known to our Saxon forefathers, and some were not known before the time of Good Queen Bess.

All these commodities which supply our wants are called "goods"—the good things of life. Some of them we might grow or dig up or make for ourselves—father and mother and John and Gladys all doing their share to provide just enough to eat and to wear and give shelter to the family. But, if we want our share of the "goods," and time to enjoy them, we must do our part towards supplying other people's needs in return for what we get from them.

Go back to the days when, let us say, King

Alfred ruled this land, and imagine a little village somewhere safe out of the reach of the Danes. It is situated in a clearing in the forest. There are no roads, only tracks through which, perhaps, a pack horse could be led. Maybe, there is one big house in which a Thane lives, and round it are clustered little huts built of "wattle and dab," that is, hurdles made of hazel or osier plastered with mud, and thatched with straw or reeds. Some of the villagers are in the forest tending the pigs which are feeding on acorns. Others are ploughing the land, with rough ploughs of wood tied together with leathern thongs. Some of the women and girls are spinning wool or flax and weaving the yarn into cloth or linen; others are baking bread or brewing mead from the wild bees' honey. Others again are grinding flour in stone "querns" —something like a pestle and mortar, except that they turn the pestle part round with a handle instead of beating the contents of the mortar with it.

Here is a group of people who are making or growing everything which they need for themselves. They build their own houses, and make their own ploughs and other simple utensils from what they can find on the spot. They grind their own corn, bake their own bread, make their own clothes. Their wants are very



LAYING THE KEEL OF A SHIP

Look how tiny the man in this picture seems amid all the scaffolding and other material which is going to be built up into a big ship on the slips of a shipbuilding firm on the river Tyne (see p. 52). On his left-hand side, close to him, you can see the great keel already laid in place. It is made up of steel girders and is four hundred feet or more in length. That part ahead of the man which looks like a gridiron is composed of the first "frames" which have been fixed to the keel. These will curve right up to the top of the scaffolding when they are all in place, and the decks and funnels will tower high above these.

Thousands of tons of steel and wood and other material will be wanted before the ship is finished, and thousands of workers will have to receive wages week by week before she is ready for sea. It is for these things that "capital" is necessary. It is "like life-blood" to industry of all kinds (see pp. 54–57).

If you think of the little man and the big ship, you will realise how tiny each one of us is compared with the whole body of those with whom we must work in order that we may all have our reasonable wants satisfied. And yet each one of us has his share in the work which only he can do.

few, but their whole time is taken up in supplying them. Even so, not one of them really and truly lives for himself or herself alone. Father grows the corn and mother grinds it and bakes the bread, and, no doubt, the man who has grown more flax than he wants exchanges some of it for some of his neighbour's bacon. Still, one may say that this little group of people supplies its own wants by its own work, and does not help to supply the wants of any one else.

Now, think of your life to-day. You live in a house built of brick. But there is no clay in your neighbourhood, and the bricks have been brought from, say, Middlesex. The slates on the roof come from Wales, the grates from Birmingham, the doors and windows from Norway.

Take the white, crusty loaf of bread on the table. The wheat came from Canada or Australia. It was ground into flour in Southampton. It was baked, with hundreds of others, by Mr. Bunn, the baker. To make it light, he added yeast from a brewery. Then, the tea came from Ceylon and the sugar from Cuba; the raisins in the cake from Spain and the currants from Greece.

But that is only a little bit of the story. The ships which brought you these "goods" were built by the hands of hundreds of people in the

shipyards of Glasgow or Newcastle. They are built of steel made of iron-ore brought from Spain, turned into pig-iron at Middlesbrough, forged into steel at Sheffield, and moulded into plates or great engine cylinders and cranks in some engineering works in the North. The rollers of the mill in which the wheat was ground, again, had to be forged of steel in the same way, and the farmer who grew the corn needed ploughs and reapers and binders.

Then, to smelt the iron-ore and forge the steel, to drive the ships and to work the mill, coal had to be dug from the pits of Northumberland or South Wales or Somerset, and everything carried from place to place in this country on the railways. Add the number of men required to work the ships and to load and unload them, and you will see that thousands of men have been employed in one way or another before the loaf, the tea, the sugar and the cake reached your tea-table. Of course, the labour of the same men supplied thousands of tea-tables besides yours. But that only makes it the more plain how we all depend on other people, on the brains which have invented all this wonderful machinery and which arranged for its use, and on the strong arms which obey the direction of the brains.

One man may, in a sense, grow the potatoes and

the peas and the cabbages he requires—though, even then, he has to buy garden tools which are made by the labour of other men. But for the things we need most, we are all of us compelled to depend on the work of others. If they stop work altogether, or work badly, we suffer for it either by not being able to get what we need to satisfy our wants, or by having to pay a high price for it.

But the same thing is equally true of us. If we don't work, or work badly, other people suffer whom we have never seen and of whom we have never heard. As the Bible says, "Ye are members one of another." "No man liveth to himself alone."

The system by which goods are produced and distributed is very complicated, and unless every one engaged in it does his best it is like putting sand into a piece of delicate machinery. It must make the machinery work badly, and, if many follow this example, the whole machine will break down.

CHAPTER II

WE ALL NEED SERVICES

In the last chapter we took a kind of bird's-eye view all over the world, and you saw the food on your tea-table coming to you from all parts of the earth. Farmers were ploughing and reaping on the great plains of Canada or Australia; brown-skinned men in white clothes were picking the leaves from the tea-plant in Ceylon; sailors were keeping watch amid the flying spray of an Atlantic gale; men, ruddy in the light of glaring furnaces, were dragging the white-hot steel under the huge hammers; other men were toiling in dark caverns underground to raise the coal necessary for all the rest. And we might have seen, as we shall see later on, other men sitting in offices, poring over great books, sending telephone messages, or dictating to shorthand-writers, thinking out and sending the orders which set all this machinery in motion.

Now you will have seen, no doubt, that while "we all need goods" we all need

something besides, if we are to get the goods. We must be able to order what we want, and we must have it brought to us. Of course, you can fetch your loaf from the baker, and your tea and sugar from the grocer. But the flour from which the loaf is made must be brought to the baker, and the tea and sugar must be brought to the grocer.

Very well, then. In order to get the goods we need "**services.**" Our wants are supplied not by goods alone but by goods *plus* services. You know the ships and sailors which bring the goods we require from over the sea are spoken of as the **Merchant Service**; our letters and parcels are carried by the **Postal Service** (though we generally speak of it for short as "the Post"); we have a service of trains from our station; the Navy and Army are often spoken of as "**the Services,**" while all the men and women who carry on the business of Government are said to be in "**the Civil Service.**" All those things, in fact, which we need to make our lives run smoothly, to give us security, comfort and pleasure, and to aid us in our work, except such as we can actually handle, are "services." For instance, doctors, actors and singers, people who run the picture palaces, professional cricketers and football players—all who cater for our health, pleasure and amusement, as well as for

our more direct wants—are giving services. It is in this combining together for service to each other that civilisation in the main consists.

We shall see how far we have advanced since King Alfred's time if we go back once more to our little Saxon village in the forest clearing. The mother needs water for her cooking, and her little son Gurth is sent to the stream to fetch it. There is no kitchen or scullery tap, by turning which she can get a flow of water. Gurth is thus performing a service by fetching the water, just as his mother is producing goods by baking the bread and making the clothes. But these are just services and production inside the family, and they would go a very little way to supply the much larger wants which we feel nowadays.

But let us go a little bit further. Suppose Gurth's mother wanted to send a parcel to his grandmother, who lived in another village some miles away. You may be sure she would not have allowed Gurth, or even his elder sister, Elfleda, to go, because to begin with, as we saw before, there were no roads, only just tracks through the forest, in which they might easily lose themselves. And there were no policemen to take up the robbers and outlaws who lurked in the forests. Even if she could write a letter, there was no post office or postman. So Gurth's father must

go himself, taking with him a good stout quarter-staff, and very glad his family are when they hear his voice in the evening and know he has got back safe and sound. But he has had to give up his ploughing or sowing or reaping for the day, and put off important work for this one small errand.

To-day mother just makes up a neat little parcel, slips a letter inside, and says, " Mary," or " Charlie, take this to the post office and have it weighed. Here's sixpence for the stamps," and Mary or Charlie go the hundred yards or so to the post office, and off goes the parcel to their grandmother, sure to reach her, even if she lives a hundred miles away, almost as quickly as Gurth's father would have taken it half a dozen miles. This can be done because we have learned how to " combine," each to do something for other people in return for what they do for us, instead of each trying to do everything for himself.

We are quite accustomed nowadays to write a letter, put it into an envelope, put a stamp on it, drop it into a letter-box and think no more about it, because we know that it will be collected, taken to the post office, sorted out into the right bag for the place we want it to go to, and, in due course, be delivered at our friend's house. It is all very simple to us ; but have we thought

how much service we command for the cost of the stamp? Have you ever watched the row of men in the post office standing at long tables and stamping the postmarks on to the letters—fifty or more to the minute? Have you ever looked into the mail-van, in imagination, and seen the busy sorters at work while the train dashes along at sixty miles an hour? Or the bag containing our letter hung on an iron pillar outside the van, and swept off into the net spread to receive it?

Sending letters is not everything, however. We want to get about cheaply and quickly ourselves. For this also we rely upon public "services." In towns, and in some parts of the country, we can travel in what is called a bus. You all know, of course, that bus is short for "omnibus," but you may not all know that "omnibus" is a Latin word meaning "for all." An omnibus, then, is a vehicle "for all," which any one may enter and be carried to any place along its route to which he wants to go on payment of a small fare. He goes almost as quickly as if he hired a taxi for himself, and far more cheaply. One might call all these public services, which we are talking about, "omnibus" services—services *for all.*

The public service by which most of us travel is the railway. We go into the station and we buy

SORTING ROOM IN A POST OFFICE

WHEN you take a letter to the post and drop it into the letter-box, or hand in a parcel over the counter, they are mixed up higgledy-piggledy with other letters and parcels going to scores of different places. The first thing which has to be done, therefore, is to sort out the letters and parcels according to the places to which they are addressed (see p. 12). This is what the men are doing in this picture. The room in which they are working is in the sorting office of the General Post Office (often called the G.P.O.) in London. Here the letters and parcels for Edinburgh, Manchester, Birmingham, Bristol, Southampton, or wherever it may be, are done up in bags and addressed to those towns.

You know that, if you are writing to some one in a country village, you have to put the name of a post-town on the envelope as well as that of the village. Thus you might address a letter to "Mr. John Smith, Hursley, Winchester." The latter would be put into the Winchester bag and sorted out in the post office there, and given to the Hursley postman.

The post office is an example of a self-supporting public service. Because it deals with millions of letters and parcels, the post office is able to do this work at the cost of a few pence for every parcel, and less still for letters and post cards, and without costing the taxpayer anything (see p. 122).

for a few shillings, perhaps, a piece of pasteboard on which the name of the place we start from and that to which we want to go is printed. An inspector clips our ticket, and says, "Change at Mudford Junction." We go on to the platform and see long ribbons of shining steel stretching away as far as the eye can reach to left and right. Perhaps there is an engine shunting trucks of coal or bricks, or straw about, leaving one or two trucks at our station and picking up others to be taken to other stations. On the platform are a dozen milk-churns and a few hampers, besides the trunks and boxes and bags containing the passengers' luggage. In comes the train and pulls up alongside. We jump in, and find ourselves with half a dozen other people going to all sorts of different places. At Mudford Junction we find another train waiting for us which takes us where we want to go. It is all made as easy for us as shelling peas.

But think of all it means! Think of the people who worked out the time-table so that our train shall fit in with another; of the men in the signal-boxes who work the steel levers and so make sure that one train shall not crash into another; the porters who have labelled our luggage and put it into the right van, and then transferred it into the right train at Mudford

Junction. Think of the platelayers, always at work, repairing the line, and "foggers," who lay the explosive signals when the weather is too thick for engine-drivers to see the signals.

There are many other things also—services which we enjoy, and without which our lives would run far less smoothly than they do. There are the police who make it safe for us to walk about with money in our pockets, and enable us to sleep quietly in our beds; there is the water brought to us from distant hills, or taken from the river and purified, and laid on in pipes to our houses. There are, in towns at any rate, the gas and electric light; there are the roads we walk and drive over; there is the telegraph by which in time of trouble we may summon our friends from a distance. And the telephone by which we can talk to them though they are miles away. Not one of these things could we have if we depended on ourselves alone. It is only by men banding themselves together for the common use of a common service that we are able to enjoy them.

And, then, there are the schools. In our Saxon village boys and girls were not taught to read and write. At any rate, only a few who went to the monasteries and nunneries were taught by the monks and nuns. Now every boy and girl is obliged to go to school, and the

schools are maintained for them by the State—which means by all of us joined together for this common purpose—and it is hoped by this means to give young people the best possible chance of a useful and happy life.

In early times most schools were founded by private men like William of Wykeham, who founded Winchester College, or by kings, like King Henry the Sixth, who founded Eton College, and King Edward the Sixth, who founded a number of schools out of the confiscated wealth of the suppressed monasteries and old guilds. But there was never room for more than a few of the young people of this country in the schools. About a hundred and twenty years ago thoughtful people came to recognise that all boys and girls should have the chance of education, whether their parents were rich or poor. So schools were set up all over the country, at first by the Church of England and the Non-conformist Churches, and then by the State. Everybody has the right to make use of these schools, and the costs are provided out of rates and taxes, except in so far as some of the buildings are maintained by private subscription. In fact education has to-day become a public service, for which we all have to pay as we do for the Navy and Army.

But we have not done with " services " even

when we get to the end of those things which are generally so-called. " Civilisation " depends on our all working together, just as we play together in a cricket or football team.

To serve his fellow-men is the highest aim that a man can set before himself in his life and work. The higher the position a man is born to, or wins for himself in life, the greater is the call upon him for serving others. This is shown in the Prince of Wales' motto, first adopted by Edward the Black Prince — " *Ich dien* "—" I serve." But we may look higher still and see the dignity and nobility of service, for did not Christ Himself say, " I am among you as one that serveth," and, again, " He that would be greatest among you, let him be the servant of all."

CHAPTER III

HOW WE PAY

In the first two chapters we have talked about our wants, and how we need goods and services to satisfy them. But, of course, there is another side to the matter. If we get, we must give in return. That is to say, we must pay for the goods and services we require. How do we pay?

Of course you know all about that. You know your father comes back from work with the money he has earned during the week or month. Most of it he gives to your mother, who will buy with it a bit of beef for Sunday dinner, and the tea, sugar, soap, matches, washing-soda and the other things she needs for the week. Or, perhaps, your father has sold a few bushels of potatoes from his allotment, and has received a one pound note and some silver for them. It all seems very simple to you, no doubt. Your father gets the money for his week's work, and with some of it your mother buys the things

she wants to feed and clothe the family and pay the rent of the house.

That is a good enough explanation for everyday use. But we haven't yet got to the bottom of the question, How do we pay for the things we need? Your father gets **money** for his work or for his potatoes; but you can't eat money, and the shopkeeper to whom your mother gives it in exchange for meat or bread or groceries can't eat it either, nor can the next man who gets it, nor the next. So money always goes on changing hands and never, in itself, satisfies anybody's wants. Just think if you were on a desert island like Robinson Crusoe, and you and man Friday grew some potatoes, and you said to him, "Here, Friday, I am going to eat potatoes, but here's some money which I brought ashore from the wreck. I'll give it to you in payment for your work." Poor Friday would get very hungry. Money would not be the slightest good to Friday, nor to you.

The real payment for your father's work, then, is not money, but the power to obtain his share of "goods" and "services" in exchange for his share of the work of producing goods or doing services for other people.

If you had a knife and I had fifty marbles, and I wanted your knife, I might offer you so many marbles for it. If you wanted marbles, you

might be willing to "swop" the knife for as many marbles as I was willing to part with. How many that would be would depend on whether I wanted the knife or you wanted marbles most. This would be what is called "exchange" or "barter."

It was in this way that trade began before people had invented money. And trade has ever since been carried on by barter with savage folk who do not use money. When Captain Cook, for instance, discovered the South Sea Islanders, he would get a pig or some yams or cocoa-nuts from the islanders in exchange for a handful of beads. "How wrong of him," you may say, "to take the poor ignorant people's goods for worthless things like beads." Not at all. They had more pigs and yams and cocoa-nuts than they knew what to do with, but no beads, and their wives and daughters liked the beads. So, the beads were more valuable to them than the pigs and the yams and the cocoa-nuts; just as the pigs and the yams and the cocoa-nuts were more valuable to Captain Cook than the beads. Trade always ought to be of advantage both to the buyer and the seller.

But it would be very awkward if, every time your mother wanted bread or tea, she had to find something which she could exchange for them.

Suppose there are rows of cauliflowers in your garden, more than you can eat. Can you imagine your mother starting out to do her week's shopping wheeling a barrow-load of cauliflowers, and offering the baker cauliflowers in exchange for bread? The baker would probably say, "I don't want any cauliflowers, thank you, ma'am." And there would be no bread for you all. Or, again, there might be enough cauliflowers to pay for three weeks' shopping. But you couldn't keep them for three weeks, or they would be spoiled. Again, the value of the bread your mother required might be six cauliflowers and a half. But she couldn't cut a cauliflower into two, so she would either have to give more than she ought to give, or the baker would have to take less than he ought to get. What your mother, of course, would do would be to sell the cauliflowers to the greengrocer and pay for her bread and tea and other things with the money she got. But she would really be exchanging the cauliflowers for bread and tea in a roundabout way.

Now let us go back to the marbles again. Supposing you had no knife and still wanted the marbles. You might say to me, "Look here, suppose I come and field for you, while you are practising cricket, will you give me a marble for every half-hour I field?" and I might

agree. You would then be giving "services" —*i.e.* fielding the balls I hit—in exchange for goods—*i.e.* marbles. That would be all right for you, because you would be doing it in your playtime and might just as well come and field as do anything else. But your father, we will say, works on the railway all day and wants his spare time to attend to his garden—to grow potatoes and cauliflowers. He could not possibly go to the baker and offer to dig his garden in exchange for so many loaves of bread, and to the butcher and offer to clean his windows in exchange for a piece of beef. That would be waste of time which might be far better used. So he gets money from the railway company for his wages, and gives that to your mother to buy the bread and beef with. But, you see, he is really exchanging "services" (his services to the railway company) for goods, though, again, in a roundabout way.

What it comes to is this: that it is much better for each person to do one job thoroughly and stick to it. He can do more work because there are not odd little corners of time to be filled in; he can do it better because he is accustomed to it. And, because he does more work and better work, he gets more for it.

In the next chapter we shall talk about "money," of which we have said very little at

present, because it is important that you should understand that we really pay for the goods and services we need not with money but with the goods or services we ourselves make or give.

CHAPTER IV

MONEY

You have all of you read of Cinderella's fairy godmother, who was able to change a pumpkin into a carriage and rats into prancing horses; some of you may have heard of a more unpleasant lady named Circe, who changed sailors into pigs.

We are going to talk in this chapter about a wizard who can change, let us say, ten pounds of blackberries into a tin of toffee, or eight hours' work into roast beef, plum pudding, bread and jam, a packet of cigarettes and a visit to the "pictures." He has a dozen different shapes at least; but he does not look in the least like a wizard. His name is **Money**.

In the last chapter we saw that, in order to get the goods and services which we need, we have to exchange for them the goods or services which we grow, or make, or give, and that it would be very awkward to do so unless we had a

" medium " or go-between which we could carry about with us easily and divide up between the different people to whom we go to get our wants supplied.

This "**medium**" **of exchange** is Money. You can't eat money; and a suit of clothes made of one-pound notes would look very odd, and be none too warm. Perhaps you remember the tale of the Greek king, Midas, who thought so much of money that he prayed that everything he touched might be turned to gold. His prayer was granted. When they brought him his dinner it turned to gold and he couldn't eat it. He smelled a rose, and it turned to gold and had no smell. He kissed his daughter, and she turned to gold too. When some one took off King Midas's cap, it was found that he had ass's ears. So we had better look out if we think too much of money.

The use of money has been known almost ever since human history began, though in the early days men did not have coins of a fixed value, but sold their goods for a certain weight of bronze or silver, or whatever the chosen metal might be. The Jewish " shekel," for instance, that we read of from the time of David onwards, was a measure of weight and not of value. This idea of " weight " is still seen in our use of the word "**pound**" for our most valuable coin.

The " pound " was originally an amount of gold of the same value as a pound of silver. Twenty silver pennies (pennyweight) went to one ounce and twelve ounces to one pound, as in Troy weight, so that 240 pennies went to a pound, as they do to-day.

All sorts of curious things have been used as money. Some native tribes use cowrie shells, and the Dyaks of Borneo, when they pay their taxes to the Government, use jars as big as those into which Fatima put the Forty Thieves in the story of Ali Baba. In our own country, pieces of tin, lead bullets and discs of leather have been used at one time or another. The value of the silver penny was once so great that you could buy thirty gallons of beer for it, and the people asked the king to let them have coins of a smaller value. That is why farthings were made. At first they were made of brass, which explains why rude people sometimes tell you they "don't care a brass farthing what you think."

Now, to have good money, you require to have it made of something which is portable, which does not waste or wear out, and which is in itself valuable. For that reason, in this country and in most civilised countries, gold has been chosen as the metal of which the " standard " coin is made. By " standard " is meant the

coin by which the value of all other coins is measured. Our gold sovereign is always worth just about its weight in gold. It takes just a little more than one ounce of gold to make four sovereigns. If you were to find a piece of gold—what is called a "nugget"—the mint, where the coins are made, would coin it for you into its weight of sovereigns. Or you could take it to the Bank of England, and they would give you a sum of money equal to the value of the sovereigns which could be coined from it. But a shilling would not buy its weight in uncoined silver, nor would twenty shillings buy gold of the weight of a sovereign. Half-crowns, shillings and sixpences, therefore, simply represent some fraction of the gold pound—one-eighth, one-twentieth, and one-fortieth — while a penny represents one-twelfth of a shilling and one-two-hundred-and-fortieth of a pound.

Suppose your father earns a shilling an hour when he is at work, and works forty-four hours a week. He will bring home with him on Friday two sovereigns (or £1 notes) and some shillings. Your mother takes some of the money with her when she goes shopping, and buys two quartern loaves of bread at ninepence each. She gives a shilling and a sixpence; but what she really pays for them is an hour and a half of your father's work. When the rent-collector calls,

she may have to pay him from four and a half to six hours of your father's work. An ounce of tobacco costs, perhaps, half an hour's work. So by means of this money, your father's work is used in the form of convenient fractions. And the potatoes or cauliflowers he grows in the garden may be used in the same way through the money he gets by selling them.

Now, we want to show you the importance of this. If your father had his wages reduced by four shillings a week, it would seem a terrible loss, and so it would be if your mother had to pay as much for the things she wants as before. But supposing, at the same time, the price of bread came down from 9d. a quartern loaf to 6d., the price of a pound of beef from 1s. 6d. to 1s. 3d. and the price of a pair of boots from 8s. to 6s. your mother would actually be able to buy more of the things she needs to feed and clothe you all out of your father's smaller wages than she was able to buy out of the higher wages. In the days when a silver penny would buy thirty gallons of beer, a man and his family could live quite comfortably on a shilling a week. So you can see it is not the money you get, but what that money will buy, which makes you rich or poor, and that it is just a sort of wheelbarrow upon which you cart about the goods you produce, and the services you render, and deliver them to

people who want them and take what you want in return.

In the next chapter we shall tell you something more about money, and how pieces of paper can be used to " represent " money.

CHAPTER V

"PAPER" MONEY AND "INSTRUMENTS OF CREDIT"

A THOUSAND sovereigns weigh just about 17½ pounds. So you see that even sovereigns, although much more convenient than potatoes or cauliflowers as a "medium of exchange," are too heavy to use when very large payments are required. A big steamer costs, let us say, a quarter of a million pounds. That quarter of a million pounds in gold would weigh about one and a half tons. So the shipowner must find some other way of paying the shipbuilder than in gold. If we could pay only in actual metal money, we should always have to take the money to the person we owe it to, unless the sum were so small that we could send it in a registered letter, and we should waste our time sadly in the journeys we should have to make.

So, for many years past, people have been accustomed to use "**paper**" **money** or "**instru-**

ments of credit" — that is **bank-notes, cheques** or **Bills of Exchange**—when they have wanted to make big payments or payments at a distance. But the "paper" money and "instruments of credit" have in themselves practically no value. How, then, can they be used instead of gold, silver or copper coins?

To answer this question we must learn something about **Banks** and Banking. You will have noticed in almost every town offices which have shining brass plates on the door with "Barclay's Bank," "Lloyd's Bank," "Westminster Bank," "Midland Bank" or "National Provincial Bank" engraved on them. These are the branch offices of the five biggest banks in England. There are still a good many smaller banks, but they are not so important, and, of course, there is the most important of all—the Bank of England—through which the Government and the other banks do their business, but which has very few branches. It is these banks which make it possible to use paper money and instruments of credit instead of metal money.

Paper money is of two kinds, (1) **Currency notes** and (2) **Bank-notes.**

Currency notes are issued by the Government. When the war broke out in 1914, the Government wanted all the gold sovereigns and half-sovereigns to pay for the food and arms and

ammunition which we had to buy from abroad for the soldiers. They, therefore, passed an Act of Parliament enabling them to print notes for £1 and 10s. instead of issuing sovereigns and half-sovereigns from the Mint—a word derived from the name of a Roman Goddess, Moneta, in whose temple money was coined. We are quite accustomed to these currency notes now, and accept them as " money."

Bank-notes are issued by the Banks. They are much older than currency notes, having been used for more than a hundred years. A bank-note is a promise by the Bank to pay in gold, when the note is presented, the sum printed on the face of it. Only the Bank of England has now the power to issue notes in England; but the Scottish and Irish Banks are still allowed to do so in their own countries.

Currency notes, and Bank of England notes of £5 and over, are what is called " legal tender." That is to say, if you owe a man £1, and offer him a currency note for that amount, he is bound to take it. He cannot say, " No, you must give me a golden sovereign." And if you owe him £5 and offer him a £5 Bank of England note, he cannot say, " No, you must give me five golden sovereigns or five Treasury Notes."

The use of this paper money makes it much easier to carry money about and to pay our

accounts. But it is not always safe to send notes through the post, and, if the amount is a large one, they are not at all convenient. The highest value for which you can get a Bank of England note is £1000. It would require 250 of them to pay for our steamer, so that you would want a big bundle of notes to make the payment with. Instead of that, you can pay the whole sum with one little bit of paper by means of what is called a cheque or a Bill of Exchange.

Cheques or Bills of Exchange are called "instruments of credit," because their use depends on the belief of the man who receives them that the man who gives them has got money or money's worth sufficient to pay with—or will have enough by the time the payment is due. Cheques are generally used to pay small amounts or amounts due immediately ; Bills of Exchange to pay large amounts or amounts due at a future date. We shall speak of them later on.

Suppose Mr. Bunn, the baker, receives in payment for his loaves of bread and cakes a number of £1 and 10s. currency notes, half-crowns, shillings, sixpences and coppers. It would be very unsafe for him to keep all this money in the house, and also very inconvenient for him to send a quantity of notes and silver to Mr. Grist, the miller, who lives ten miles away, when he wants to pay for his flour. Mr.

INTERIOR OF A BANK

THIS picture shows the counter of a big bank similar to that into which Mr. Bunn pays the money he receives for his loaves and cakes, and on which he draws the cheque which he sends to Mr. Grist for his supplies of flour (see pp. 32–33). If a customer hands in a cheque or a bag of money to one of the clerks behind the counter he will give him a receipt for it and enter the amount on the credit side of the customer's account. If you want to cash a cheque, he will ask you, "How will you have it?" and give you notes or silver for the amount, as you desire.

He works rather with his head than his hands, and he has to be very quick and accurate in counting money and adding up. Also, he must know the handwriting of all the Bank's customers, in case a forged cheque should be presented. And he must be absolutely trustworthy, for banking is one of the callings in which character counts for more than cleverness.

It is through Banks such as these that the financial business of the country is carried out, and from them the manufacturer gets the credit which is necessary to aid him to carry on his business (see pp. 104–5). Banking is a public service, carried on by private companies instead of by the State or the Municipality.

Bunn, therefore, takes his currency notes, his silver and his copper to the bank which keeps his "**account**," as it is called. There is a "**credit**" side to this account, in which is entered all the money he pays in, and a "**debit**" side in which is entered all the money he draws out. Suppose he wants to pay Mr. Grist £50. Instead of driving or bicycling over with the money, he just writes an order to his bank to pay Mr. Grist that amount. This is a cheque, and it is really a letter to his banker and nothing more. He puts it into an envelope and posts it to Mr. Grist. But if Mr. Grist had to drive or bicycle ten miles to Mr. Bunn's bank to get the money it would be just as bad as if Mr. Bunn had to bring it to him. That is avoided by Mr. Grist paying the cheque into *his* bank, where £50 is marked to his " credit." Mr. Grist's bank now sends the cheque to Mr. Bunn's bank where £50 is entered on the " debit " side of Mr. Bunn's account. Mr. Grist's balance is increased by £50, and Mr. Bunn's reduced by the like amount. All the cheques received by all the banks are sent to either the London or a Provincial **Bankers' Clearing House.** Each bank settles accounts with each of the other banks. The balance between each pair of banks is entered as a credit for one bank and a debit for the other in their respective accounts with the Bank of England.

Cheques are not " legal tender " like some of the paper money we have talked about. You would not take a cheque from a man unless you knew something about him and believed that he had enough to his credit at the bank to meet the cheque when it was presented. And, therefore, the man who draws cheques on his bank has to be very careful not to draw more than he is sure his banker will pay. Otherwise, his cheque may be "**dishonoured,**" as it is called, and his credit—that is, the trust other people place in him—will be shaken. If a customer can convince his banker that he is to be " trusted," his banker will allow him to draw cheques for sums exceeding the amount standing to his credit. He will then be said to have an **overdraft.**

You will now have seen how the value of the " services " your father gave, and the " goods " your mother bought, are represented first by coin, then by pieces of paper, and then by credits and debits at the bank. These credits and debits are the means by which the big steamers are brought from the ends of the earth, bringing in our corn and meat, our tea and sugar, our raw cotton and everything else we need. And they also send out the coal and engines and cotton cloth and woollen goods with which we pay for these things. You will hear more about this in later chapters.

In the meanwhile, the metal " money " itself keeps on being paid into banks and paid out again until at last it reaches the Bank of England and is found to be worn, when it is withdrawn and more money issued. This is always going on. Moreover, as more goods are grown and made, more money is needed to represent their value. If there be too little money, goods are cheap ; if too much, goods are dear, because the price of everything is measured by money.

Things were very dear in Germany after the war, because whenever the Government wanted more money it printed more notes. The consequence was there was too much " money " and too few goods to buy with it. A mark, which used to be worth a shilling, became of so little value because of the number of paper marks issued that at one time it took 8000 marks to buy a pound of bread, and afterwards became worth much less still. At that time the wages of a coal miner were 144,000 marks a week, which sounds a tremendous lot of money. But if he had spent it all on bread, it would only have bought about seven loaves such as we eat. So you see that " money " in itself means very little. *What really makes us rich or poor is the quantity of things we can obtain in exchange for the goods we produce or the services we render.*

CHAPTER VI

THE GIFTS OF NATURE AND THE WORK OF MAN

We have seen in the chapters we have read that we all need goods and services, that to get what we need we must exchange the goods we produce or the services we give for the goods produced or the services given by other men, and that money, which we so often consider to be wealth, is only the " medium " or the go-between which enables us to make the exchange. Now we have to consider how the goods we want are produced and made.

Everything of which man has need for his bodily life comes first of all from the earth, the air or the sea ; his food, the material of which he builds his shelter, or of which he makes his clothes to protect himself from heat and cold. This is true whether he lives on the roots he has grubbed up in the forest, or on things like tinned salmon or bread, whether he shelters in a roughly built house made of wattle and day, in the snow

hut of the Esquimaux, or in a great modern block of flats, made of steel and concrete and brick.

The food which he eats, and the material of which he makes things, come from the earth; but it is his skill in making use of these resources which marks the various stages of what we call civilisation. Iron and coal lie in the ground, but they would never make a railway to carry goods and passengers to their destination without the work of men. Cotton is only a weed with a yellow flower and a seed-pod wrapped round with a soft delicate fibre. Wheat, in its wild state, does not differ very much from some kinds of grass. Wool on the back of a sheep may keep a sheep warm—too warm in the summer—but will not prevent men from getting frost-bitten.

Perhaps you think of labour as merely work with your hands—digging, sowing seed, reaping the crops, making furniture and so on. That is how very many people do think of it. But if you will consider, you will see that there is practically no work which can be done with the hands unless the brain helps. The greater our wants have grown, and the more we have divided ourselves into groups to supply those wants, the greater has been the need of the work of the brain.

Think of the man who first rubbed the ears

of the wild wheat between his hands. He put the grains he got from them into his mouth and ground them between his back molar or "mill" teeth. He found it hard work for his jaws, and he found also that the sharp little pieces of husk left in his mouth were unpleasant. So he used his brain and got two flat stones to do the work of his teeth and grind the wheat. Then he sifted out the husks. From the two flat stones he went on to the quern, which I described to you before; then to the water-mill and windmill. In each case the brain worked as well as the hand. Indeed, the more the brain worked, the less the hand had to do.

The brain that works and the hand that works do not always belong to the same man. The man who first made a plough-share of iron or bronze with which to turn up the ground must have known that the ground needed treating this way in order to yield corn. But being more inventive than his fellows, and having more brain, he didn't go scratching the ground with a pointed stick, hardened in the fire, as they were doing. He invented this plough-share with which he could work twice as fast, and which would last a hundred times as long. And when his fellow-tribesmen saw how useful the new form of plough-share was, they would bargain with him to make them one, and would pay him with

part of the extra wheat which they were able to grow.

So that it might very well come about that this inventive man did not himself plough any more but made plough-shares for his neighbours, in return for which they give him corn. And, although there was one man less tilling the ground in that tribe, yet the whole tribe could grow more corn and have more to eat because of his making the new plough-shares.

But before the smith can make the plough-shares, he must have iron ore which he, or some one else, must dig from the earth. And he must have wood to make his fire to smelt the ore and to forge the iron when the ore has been smelted. He would give part of the wheat he got to the man who dug the iron ore, and part to the man who cut the wood. So, for the husbandman to produce his crop of wheat, all these things were needed :

Soil,	Sunshine,	Iron,
Seed,	Rain,	Wood.

These are all the gifts of Nature.

But none of these things could produce food for man, unless man did his share by supplying :

Brain,
Muscle.

These two make up what we call labour.

It is easy to understand how we all depend on each other when we think of a small tribe, and one man making plough-shares and another mining iron or hewing wood. To-day it is not so easy, because of the great numbers of nations and the great extent of the earth over which we trade. Yet it is even more necessary that men should work smoothly together because we are all so split up into groups—so specialised we call it. In very early times, if the blacksmith quarrelled with the husbandman, he might have gone and tilled his own piece of land and not troubled about bargaining for wheat; but that is not possible now. And if the husbandman quarrelled with the smith he might possibly have grown enough wheat to keep himself alive by scratching the ground with a pointed stick; but to-day the lack of tools may easily cause absolute starvation. This has happened in many places in Europe during the past few years. People have starved in one district while surplus corn was rotting in another, because there were no railway wagons to carry the corn from where it was plentiful to where it was wanted.

CHAPTER VII

CAPITAL AND ITS USE

We have seen that goods are produced for the use of man by labour (brain and muscle) working on the soil and the products of the soil, such as wheat, coal, iron-ore or on anything else of a useful kind which Nature provides. But we have also seen that man with his naked hands can produce very little, and that little very slowly. There is something else wanted.

Monkeys spend practically their whole time in going from tree to tree picking nuts and eating them. They live, literally, "from hand to mouth"; they save nothing for a rainy day. Therefore, a monkey never gets any further from being a monkey.

The monkey never has new wants, so he has no need to save time in order to find or invent means of satisfying them.

Because man is not a monkey, but has a thinking brain, his wants do increase. So he cannot be content to spend his whole time looking for

food. Take the case of our primitive farmer once more. If he is to have time to spare for other things, he must grow more food than he wants from day to day, and must save some part of it. In order to grow more food, he must have tools by the aid of which he can till the soil; he must have sheds and styes in which to keep his cattle and pigs. All these he can make or build in the time which he has saved from the task of looking for food, or, as we saw above, he can employ some one else to make them for him, and pay the maker with some of the food he saves.

This food which he has saved, and these tools which he has made or bought with his savings, are his "capital," and "capital" is the third thing which is needed if man is to produce enough to satisfy his growing wants.

The word "**capital**" comes from the Latin *caput*, which means "head." A man's "capital," therefore, is his head—or chief—possession which he does not consume, but keeps and uses in order that he may produce more goods in the future.

Soon, by the use of the tools he has made, he can till more land, and he can clear more of the forest for his cattle to graze. A succession of calves and little pigs increases his herds. He now has more than he can consume, and he can

exchange what he does not want with other people who have things that he does want. He can lend his plough to a neighbour who has not got one, and who agrees to give him so much of the corn he grows in return. He can hire the services of another man to do his ploughing and reaping for him, giving him food and shelter while he works and, perhaps, a little pig at the end of the time as wages. By saving a part of what he produces, and using that part to produce more, that man has become what we now call a "**capitalist.**"

Things really happened much in that way in the far-off days before money was invented. And exactly the same thing is going on now, only perhaps it is not quite so easy to see that it is the same because we are all in the habit of thinking of capital as "money." Your mother, we will suppose, is a very good manager, and she saves 2s. a week of your father's wages. Perhaps she does some work and is able to save 5s. a week more out of what she is paid for doing it. Now, what might your parents do with the money saved? At the end of the year there would be £18. 4s. 0d. put by. If your father and mother decided to take you all to the seaside, you might have a very jolly time, and it might do you a great deal of good. But the money would be gone, and your father and mother would have

no " capital." But they might put it into the Post Office Savings Bank, where it would earn a little "**interest**"—that is to say, at the end of the year, the Government would add about 10s. to it in return for the use of the money. If a similar sum were saved next year, there would be £36. 18s. 0d. in the Savings Bank, and this would earn £1 in interest, and so on. As soon as they had £100, your father and mother might take the money out of the Savings Bank and buy some shares in a cotton-spinning company, when, instead of only getting £2. 10s. 0d. as interest on the £100 (2½ per cent.), they might get 5, or even 10 per cent., that is to say, £5 or £10 at the end of the year. They would have really used their savings in helping to produce cotton thread, and the £5 or £10 would be the " profit " on the sale of that part of the cotton their savings had produced.

But there are other ways in which your father and mother might use their savings. They might put them into a Building Society, in which case the Society would pay interest, and, after a bit, your father might go to the Building Society and say, " There's a nice little house I should like to buy. It costs £300. I have got £120 invested in your Society. Will you lend me the rest so that I can buy the house ? " And the Building Society would agree to do so, on

condition that he paid them interest and a sum of money each year to repay the loan until it was all cleared off. That would mean that he used his own savings and borrowed or hired some more. The house would then be his wealth but not his capital, and he could take his family to live in it, and thus save the rent he had been paying, or he could let it to some one else, and the rent, after he had paid what was due to the Building Society, would be the "interest" on his wealth.

Or let us suppose once more that your father is a skilled carpenter who has been working in the carriage-building shop at the railway works for wages. Having saved his £100, and seeing that there are plenty of jobs to be had in your town or village, he thinks he will set up "on his own." So he buys a carpenter's bench and a complete set of tools, and a supply of wood. His "capital" now is not in money, but in tools and raw material (the wood). He is paid now for the things he makes and the jobs he does, not by weekly wages. And what is left out of the money he gets, when all expenses have been paid, is the "**profit**" his capital and management have earned, as well as the reward of his own skilled labour. If he still manages to save money, he will soon be buying scaffold poles and bricks and lime, and you will find him taking

" contracts " to build houses. He will then have to have some ready money besides, or be able to borrow it from the bank, for he will require to hire other men to work for him and to pay them wages.

No doubt by this time you see what " capital " is. It is that part of the goods which a man produces, or of the payment for the services he gives, which he puts aside in order that it may be used to produce more goods or pay for more services required to produce goods. Sometimes it is used by the owner himself ; sometimes it is lent to other people in order that they may use it for production ; and sometimes the owner borrows additional capital. Just as labour is best used by men joining together in groups, so capital is best used by the owners of it clubbing together. We shall see in the next chapter how this is generally done.

CHAPTER VIII

CAPITAL IN LARGE UNDERTAKINGS

If you look at a biscuit tin, you will see on it "Huntley & Palmers Ltd." or "Peek, Frean & Co. Ltd.", or whatever the name of the firm making the biscuits may be. Probably you have asked what "Ltd." means, and you have been told that it stands for "Limited." But why should Huntley & Palmers be "limited," and what are they "limited" in?

To understand, you must know how capital is obtained for big businesses like factories or mines, and how it is used. We saw in the last chapter how your father and mother, having saved £100, might buy shares in a cotton-spinning company or something of the kind, and receive £5 or £10 a year in return for the use of their savings. Now we shall see why the company wanted the £100, and many more £100's also, and what it does with them.

Let us take, very shortly, the history of a great biscuit factory to show us what happens.

The founder of the firm settled in what was then a little country town perhaps seventy years ago. He had a little capital, and, being a baker by trade, he opened a shop in which he sold, amongst other things, a particular kind of biscuit which he had invented, and which became very popular. People from far away began to write and order these biscuits. He took another baker into partnership who happened to have a relative who was a tinsmith. This was convenient, as tins were required for the biscuits, and the tinsmith was ready to give credit to his relative. That was the first stage in the growth of a very great business.

Soon the demand for the biscuits got too big for them to be made in the bakehouse behind the shop which the two partners had opened, and the workpeople could not make them fast enough by hand. Besides, the partners kept inventing new kinds, all of which became popular. Now, they must have big buildings and ovens, and machinery to knead the dough and to cut the biscuits into the proper shape, and they wanted great quantities of the finest flour and sugar and currants and candied peel, and had to pay a number of workpeople as well. So they asked other people to lend them their savings, or to become partners and share in the profits made. They were very willing to do

MESSRS. HUNTLEY & PALMER'S FACTORY AT READING AT THE PRESENT DAY, AND IN 1858 (*inset*)

THIS is a striking illustration of what the joint efforts of capital and labour can achieve. In the top right-hand corner is seen the biscuit factory of Messrs. Huntley & Palmer, as it was in 1858. The rest of the picture shows it as it is to-day. In striking contrast to its modest beginning of one shop and one kind of biscuit, the business now provides thousands with a fair return on the savings they have lent, and thousands more are employed, either directly by the firm or by those who distribute and sell the countless variety of biscuits which the public demand. Such a result could not have been achieved by these thousands of individuals making and selling biscuits independently

so for, by this time, the biscuits had come to be well known, and the partners could publish accounts which showed that the business was prosperous. So it has come about that, nowadays, instead of the one little shop, you see great buildings all crammed with machinery; you can see whole trainloads of biscuits being sent off every night; and you can see streets and streets of houses all inhabited by the workpeople who work in the big biscuit factory. In fact, mainly owing to the biscuit factory, the little country town of seventy years ago has become a County Borough.

You must now learn how the owners of such a business set about asking the public to lend them the money which they have saved. Suppose a man has started a business which has been successful. He may have taken a partner, or several partners, in to help him. Very possibly, the partners are his grown-up sons. There is a big demand for the articles they make, and they wish to increase their business. To do so, they require more capital. They decide to form a **Limited Liability Company.** They issue what is called a "**prospectus**"—that is, a printed document which explains what they intend to do, what capital they require, how the business has been paying up till now, and what are the "prospects" for the future. (That

is why it is called "Prospectus.") Suppose their works and their stocks of raw material and the money they have in the bank altogether are worth £50,000. They want £50,000 more. They will sell to the company their own £50,000 worth, not for money, but for shares. Then they will invite people—who have savings and think that the Company is a good thing to put their savings into—to "**subscribe**" the other £50,000 by taking "**shares**" worth, perhaps £1, or perhaps £10 each.

But you have not yet been told why the Company is called "Ltd." or "Limited." The thing which is "limited" is the "liability" of the shareholders to the creditors of the Company. It just means this: that if you have bought £100 worth of the Company's shares with your savings, should the Company become bankrupt, you cannot be called upon to make any further payment. You would lose your £100, or some part of it, but you could not have your house and furniture seized and sold to pay the debts of the Company. In the case of an ordinary partnership, each partner is liable for the whole of the debts of the business. But you may well imagine that few people who have saved a little money would take such a risk as that. So practically all Companies which invite those with savings to subscribe

and become shareholders are "Limited Liability" Companies.

Perhaps you will now understand the way in which people club together and turn their savings into "capital," so that more goods may be produced for our use. You will easily see that it is only in this way that sufficient capital could be got together to open a coal mine, to make a railway, to build a big ship, or to turn out millions of yards of cotton by machinery at a low price. Very few men would be rich enough to do it by themselves. But, as the Scottish proverb says, "Mony a mickle (little) mak's a muckle (much)." It is a great mistake to think of "Capitalists" only as rich men. Thousands of people save a few pounds by putting them into their Trade Union funds or into Friendly Societies. These Societies invest the money so received from their members in railways, ships, mines and factories. It then becomes "capital," and every single man who has a penny of savings in these Unions or Societies is a "Capitalist." He is a part-owner of the businesses in which these funds are invested, and gets a share of any profit they may make.

CHAPTER IX

CAPITAL IS LIKE LIFE-BLOOD

Now let us think of a big ship being built. What is she being built for? It is quite easy to answer that. She is being built to carry out the goods that have been made in British factories, or the coal that has been dug from British mines to people across the seas who need them, and who will send back in return things we need, such as wheat or tea or raw cotton.

In a big shipyard alongside the River Tyne, filled with great cranes and furnaces and steam hammers, her keel is laid on blocks of wood on the building-slip; her steel ribs are standing up gaunt and bare at present through the scaffolding which surrounds them, and hundreds of men are swarming round her putting steel plates on her ribs. There is such a hammering and clatter going on that you cannot hear yourself speak.

How does she come to be there? Why is

the shipbuilder building her? How does he manage to pay for all this iron and steel for the great sheds and hammers and cranes, and how does he find the money to pay the wages of all those hundreds of men?

Well, the answer to the first question is, that the shipbuilder has taken a "contract" from a firm of shipowners who want a new vessel. He has worked out what she will cost to build, and what he thinks is fair for him to get as **return** or profit on his capital, and he has sent in a "tender"—that is, he has made an offer to the shipowner to build her for so much, perhaps for £250,000. If his offer is accepted the shipowner makes an agreement with him. That is the "**contract.**"

The shipbuilder has, of course, needed capital before he started to build ships at all. He has probably put some of his own savings into the business, and he has formed a Limited Liability Company, such as was described in the last chapter, and has got the use of the savings of a number of other people. With these he has got the land on which his shipyard stands, built the buildings, made the slipway and paid for the machinery and the tools which are being used. These things are called his "**fixed capital.**" But he needs a great deal more. He needs the iron and steel for the ship's hull, wood for her deck-planking and fittings, copper for

the pipes which run through her. Besides, he has ordered the engines which will drive her along from one firm, and anchors and cables which will hold her fast in harbour from a second, and the electrical machinery for lighting her from a third. All these things he has to pay for before the shipowner pays him, at any rate, more than a part of the price.

Last, but most important of all, he has to pay the wages of the workmen every week. If they had to wait for their wages until the shipbuilder was paid by the shipowner, they would starve. So Mr. Shipbuilder needs what is called "**liquid capital**" or "**working capital**" as well—that is to say, money which he pays out day by day, or, what is the same thing for some of these purposes, "**credit.**" We are going to talk about credit in another chapter, so we will not say more about it here than that a belief in his being able to pay enables him to borrow money from the bank or put off paying for the iron and steel he wants until he himself is paid a part of the cost of the ship. This is made possible by the fact that the banks have the use of the savings of hundreds of thousands of people, which they are able to place at the disposal of the shipbuilder and the iron and steel manufacturer.

But let us look further afield. The steel

manufacturer, who makes things like the plates and the great stem and stern posts, in his turn has to pay the wages of hundreds of workmen and to buy ingots of steel from the rolling mills. So we get back a further stage, and yet further to the blast-furnaces where the iron-ore is smelted and made into pig-iron. The iron-master has also to pay his hundreds of workmen their wages, and to buy his iron-ore. In the end we reach the miners of the iron and of the coal which is needed in every stage. We might carry the story yet further and bring into the account the railways, the manufacturers of machinery for the mines and so on almost endlessly, each dove-tailing in with all the others and all depending on the savings of many people used as " capital."

Most of this money you will find, if you think the matter out, is used to pay the wages and salaries of the people working on all these jobs, who, if they had to wait until the ship was finished and paid for, could not live at all. Of course, the coal mine is not *only* supplying coal to smelt the ore for the one ship, nor is the ironmaster *only* making the pig-iron required for the one ship. At each stage the money, which is being " turned over," as it is called, is supplying a great part of what is required. But in each and every case it is the savings of many people

applied to the production of coal, iron, steel, machinery, ships or what-not which is keeping the wheels of industry turning.

Let us next look forward to the time when the ship is completed. The shipowner has paid the last instalment of his £250,000, and there she is, newly painted, spick-and-span, with the "Red Ensign" flying at the stern, her "house-flag," which shows to what line of steamers she belongs, at the main, and the "Blue Peter," which tells the world she is about to sail, at the fore. The dockers are hurrying the last of her cargo into her; the purser is checking his stores; the captain is on the bridge; the engineers and stokers below have got steam on the main and auxiliary engines; and the crew are standing by, ready to cast off. Before she earns anything at all, the owners have to pay for the coal and stores she has on board, the wages of the crew, and a heavy sum for insurance against accidents either to ship or cargo. That is to say, her "**running expenses.**" It is once more capital which is needed to supply these things.

Our ship takes her cargo to Australia, and brings back wheat or frozen mutton. This is sold, and the wealth of the world is definitely increased by goods being brought to those who have need of them. Now at last something has been done to help pay for the wages of the miners,

iron and steel workers, shipwrights, carpenters, plumbers and engineers who built the ship. But no sooner is she born than she begins to die. Her life is estimated at twenty-four years, and one-twenty-fourth is taken off her value each year, and laid aside for the production of a new ship. At the end of the twenty-four years (or a few years later if she is lucky), a new ship must be built to replace her. So you see that capital is not an everlasting thing. It wastes and has to be replaced out of savings, and as the population and the wants of the world increase, new capital has to be created by additional savings. If a company divided up all its profits each year, and if all that money was spent on eating and drinking and dress and tickets for the theatre, the work of the world would very soon come to a standstill; mines and factories would be closed; ships would cease to run; there would be neither work nor wages for any of us.

Capital is like the blood in your arteries and veins. It must be perpetually freshened and renewed by new supplies, or death will be the result.

It is very likely that you have a School Savings Bank. Some schools have them. Well, if a hundred boys and girls put a halfpenny a week each into the School Savings Bank, there

would be over £10 saved in a year. There are about six million boys and girls at school, so that, in one year, they might save £600,000, and add it to the capital of the country employed in making goods. That would be more than enough to build two ships of the kind we have described.

CHAPTER X

MAN'S PART

In every chapter of this book we have had to say something about labour. We might have written about getting our living without mentioning capital, perhaps, and perhaps even without mentioning money. But it would be quite impossible to write about getting our living without mentioning labour. For that has been Man's part, ever since the words were spoken, "In the sweat of thy face thou shalt eat bread."

We all know perfectly well that a fork left in the barn will not dig a potato patch of its own accord, and that potatoes will not hop into holes and cover themselves up as we hop into bed on a cold night. Things do not happen on the "Water, water quench fire—Fire, fire burn stick —Stick, stick beat dog!" principle. Everything made or done is made and done with the aid of human hands and brains. The work of the brain and the work of the hands are mixed in different proportions in almost every job which

mankind has to do, and the reward that he receives generally depends on the proportion of brain work that is put into the job.

A famous painter, Sir William Opie, was once asked what he mixed the paints on his palette with. The questioner expected him to mention some kind of oil; but the answer was, "With brains." You see, it was just this mixing his paints "with brains" that made Sir William Opie, the portrait painter, different from William Brown, the house painter. Not that the house painter does not need brains for his job. Of course he does; he is a skilled workman. But he works on gates and doors and window frames, and has to cover many square yards with paint in a week, while Sir William Opie might take three months to paint a piece of canvas 50 inches by 40 inches. But we should all remember that we shall never do any good work unless we mix it "with brains."

It is not our own brains alone, however, which are mixed with our work. In everything which is done to-day, we use the brains of others, many of whom are dead and gone, but have left us the result of their thinking to make our daily toil easier and more productive. You have all of you seen a gardener mowing the lawn with a mowing machine. Some of us are old enough to remember seeing a gardener mowing a lawn with a

scythe. It was a beautiful piece of work, too, and required very great *manual* skill—that is, skill of the hands. But then it was very slowly done; was only possible in the morning when the dew was on the grass, and the scythesman's reward in the shape of wages was very small, for all his skill.

Now there is our friend with the mowing machine. His work requires very little manual skill—just enough to push the machine along in a straight line. It demands more brain work, if the gardener himself sets right the little things that go wrong; but the gardener is really using the brain of the man who invented the mowing machine, and enjoying the fruits of that brain in higher wages than the scythesman could earn.

And, again, while you may not be old enough to have seen a gardener mowing the lawn with a scythe, you may very likely have seen a gardener perched up on a jolly little motor mowing machine, which whisks him up and down the lawn at almost double the speed he could push an ordinary machine, and all he has to do is to pull a lever and turn a little wheel. Here, you see, the man's hands have less to do than ever; his own brain has, no doubt, more to do because he has tricky machinery to keep in order; but he has chiefly to thank three men: (1) the man who thought of making revolving knife-blades to cut grass; (2) the man who thought of making

little explosions of oil force a piston out of a cylinder; and (3) the man who thought of wedding the later invention to the earlier. "Brains" applied through the invention of machinery have made human toil lighter and its reward greater by increasing the amount that every man can produce, and the supply of those things which he needs. To give you an example: Up to about 1779, the spinning and weaving of cotton was mostly done by hand. Between that year and 1800, the inventions of Hargreaves, Crompton, Arkwright and others came into use, and Watt's steam-engine was adapted for spinning and weaving. A yard of calico then cost 6s.; we can now buy it for about as many pence. Whereas, in 1779, we used about six million pounds of raw cotton and exported about £400,000 worth of cotton yarn and cloth, in 1914 we used over two thousand million pounds, and exported £126,467,230 worth. In the same period the number of working people employed has been increased fourfold, while the amount earned by each has been more than doubled, and their hours of labour reduced from 69 hours a week, or 11½ a day, to 47 hours a week, or 8½ a day, with a Saturday half-holiday. Try and think what this means; what giant power has been given to human labour by the inventions of human brains.

Workmen were very much afraid of machinery at first. They thought it would take the bread out of their mouths, and there were even riots in some parts of the country. For instance, in 1812–16 the "Luddites," as they were called, went about Nottinghamshire and Leicestershire smashing the stocking-weaving machines. This feeling has not quite died out yet, and you can see that there is some excuse for it. One kind of skilled workman may have to be exchanged for another—the man who understands feeding and grooming and driving horses, for instance, for the man who knows how to oil and repair and drive a motor. But most people now understand that the invention of machinery and its use for the production of goods makes those goods cheaper and more plentiful; creates a bigger demand for them; lessens the toil of the workman, and assures him higher pay.

Suppose it took two men to make a pair of boots, and a machine was invented by which one man can make a pair of boots in the same time as the two men took to make them before. Then you will say, one man gets no work to do, while the other man makes double what he did before. Very well; but look at it from the other end. If your mother has had to pay 16s. a pair for your boots, and can now get them for 8s. a pair, she may buy you two pairs instead of one. If

so, there will be work for the other man as well. Besides, perhaps there are "ten little nigger boys" in Africa who never had a shoe. Now that shoes are half the price they were, they may begin to wear them, and so, owing to this invention, there is work for more men in England than before.

In 1779 a cotton spinner and his employer got 2s. out of every hank (840 yards) of cotton which was spun. Now they get only about $3\frac{1}{2}$d. out of every hank. Yet the workman's wages are nearly three times as large. That is because he is able to spin more than ten times as much in the same time, thanks to the machinery which has been provided for him by other men's brains.

CHAPTER XI

HEAD WORK AND HAND WORK

In the last chapter we talked chiefly of the use of other people's brains. Now let us think of the use of our own.

Let us think of three people, all of whom work in the same business. There is the grocer's shop. In it is old Mr. Plum, the grocer. He has an assistant, and he has an errand boy who takes the parcels round. Each does his best, but they get paid very differently. You can quite imagine that the errand boy might grumble and say, " I have the hardest job. I am almost run off my legs going here, there, and everywhere with parcels. Yet I am only paid a quarter of what Bill Jones gets for standing behind the counter weighing tea and sugar, and asking ' What is the next article, m'm ?' " And Bill Jones would very likely say, " Look at my long hours, and the rush I very often have to serve people. If I make a mistake I have to pay for it out of my own pocket, while my employer

sits in his counting-house and writes a few letters, and yet he takes the whole of what Edward and I earn by slaving for him, except the expenses of the shop and the ' screw ' he pays us."

Well, let us see. Edward the errand boy needs no more skill than is required to know his way about the village and to read the names on the parcels. His legs may get tired, but his brain won't. There are hundreds of others who could do Edward's job, and would be glad to do it at the price. Bill Jones must have more skill both of hand and brain. He must be able to weigh out a pound of sugar exactly, and do it up into a neat parcel. He must also be able to make out a bill correctly, and work out what 1 lb. 7½ oz. of cheese at 9¾d. the lb. comes to. He must know how to talk nicely to customers. There are not so many Bill Jones to be got as there are Edwards, so Bill Jones is worth more to his employer, and gets paid more highly for his skill and experience.

Now we come to the grocer himself. Looking in through the glass panels of his " den "—from which, mind you, he can look out and see all that is going on—perhaps we may watch him for a quarter of an hour, sitting and sucking the end of his pen and, apparently, doing nothing. Really, he is thinking for all three. How many pounds of tea can he expect to sell next month?

Danish bacon has gone up 2d. a pound. Would it be better to get a fresh supply and put his price up, or should he buy Irish and keep the price the same? The Co-operative has reduced the price of condensed milk a halfpenny a tin. Can he afford to do the same? These are the sort of questions he has to settle, and, if he settles them wrong, he will lose money, while Bill and Edward will still continue to get their wages. He is working, you see, with his brain the whole time. His hands do nothing except hold a pen. He takes the greater share when things go right, and what he takes is not called "wages," but "profit," which is really made up of two things —his own salary as manager and interest on his capital. (We shall have to talk of that in another chapter.) But his profits and Bill's and Edward's wages are alike in this, that they are the reward of labour.

Now let us take something else: Mr. Giles's farm. There, in the ten-acre plough, is a row of men hoeing turnips. Here in the cowshed there is a pleasant purring of milk into the pails as the milkers lean their heads against the flanks of the cows and draw the milk from them; in the distance is the short, sharp bark of "Bob," the shepherd's dog, and the gruff shout of the shepherd telling him where to round up the sheep to. Farmer Giles is riding round on his

cob, apparently having a fine time of it, doing nothing. But the men hoeing with their backs bent in the sun get the lowest wages ; the milkers, because of their skill in milking the cows and knowledge of how to feed them, get more ; the shepherd, because he has to attend to the sheep in the lambing and shearing seasons, gets more still, and Farmer Giles, who looks to be doing nothing at all, will, if he is lucky, get most of all.

But Farmer Giles has to think for all the rest. He has to buy the turnip seed and the manure for the ten-acre plough ; he has to find out the best place at which to sell his milk at the best price ; he has to choose the best time to sell his lambs ; and he has to arrange the order in which all the work shall be done on the farm, what crops shall be grown in which fields, when is the right moment to begin hay-time and harvest, and so on. You see that though he appears to be doing nothing, he really has the most difficult job of all. Probably he could not hoe a row of turnips so well as the lowest paid of his men ; possibly he could not milk a cow as well as any of his milkers ; but certainly none of them could manage the farm as well as Farmer Giles does.

"**Management**," then, is the highest class of labour in a business, and the most highly paid, because it requires the most brain work, the most training, and the most experience. The

manager must be able to look beyond the farm or factory and see, for instance, where are the best markets to sell in and the best to buy in.

Next come the "**technicians**" (from the Greek word *technon*, meaning an art). Of them the shepherd who understands how to keep sheep in health is the example on the farm. In other businesses the word would mean the surveyors, the men who draw the plans, the men who calculate the quantities of material required, or the horse-power of the engines. They must have natural gifts for their work and a long training in it, during the early part of which they probably receive little or nothing, and even have to pay a sum of money as a **premium** for being taught.

After them come the "**skilled**" workmen, such as the milkers, or, in other industries, toolmakers, turners, fitters, bricklayers, carpenters and so on. These, also, in most cases, have to begin as apprentices. Except in farm work, they are known as "**artisans**," "**mechanics**" or "**tradesmen**"—or, to use a good old word, "**craftsmen.**"

At the bottom of the list come the **unskilled workmen**—so-called, though there is really no such thing as an unskilled workman—these are the men who hoe the turnips, mix the mortar, carry the bricks up the ladders. They are the

lowest paid of any because their work depends almost entirely on strength of body. They do not have much thinking to do.

You are not to suppose, however, that there is no chance for a man who begins on the lowest step of the ladder to climb to the top. If he has the natural ability, the industry and the character, he may quite well do so, and often does. Geordie Stephenson started as a pit-boy, and lived to be one of the greatest of our engineers and the inventor of the first railway engine. If a boy has grit, he will not be content to take the first job that offers, but which gives him no chance of rising. He will think of what he wants to do and is best fitted to do ; he will train himself to take the opportunity when it comes, and, if he gets the chance to do the work to which he feels himself best suited, he may be very sure that he is not only doing the best for himself, but the best service to the world.

CHAPTER XII

THE DIVISION OF LABOUR

We have been talking of labour in the last two chapters, and we have seen that labour is of different degrees of skill, the difference depending generally on the relation of brain work to hand work. Also that different kinds of labour are differently rewarded according as a larger or smaller number of people are able to do the work required. Edward, the errand boy, who need only have a good pair of legs and be able to read, earns small wages, for there are many Edwards; Bill, the shopman, who must be able to tie up parcels and do practice sums, and know something about the goods he is handling, gets higher wages, for there are fewer Bills; Mr. Plum, the grocer, who employs both Bill and Edward, does not get wages at all, but is rewarded for his work by "profits"—that is, all that the work of all three earns after expenses have been cleared and wages paid to Bill and Edward—because he has to think for the other two and look far ahead

and all round the world to see where he can best buy his goods and how he can best sell them. Edward, if he is worth his salt, will try to become Bill, and Bill will watch and learn and save so that he may in time become Mr. Plum.

But we have not yet learned nearly all we want to learn about labour. Perhaps most boys, when they first begin to think of what they would like to do in life, have the Robinson Crusoe idea. They would like to be " monarchs of all they survey "—to grow everything they eat, make everything they wear, build the house in which they are going to live, and sail the boat in which they go to sea.

But they soon find out that, although men used to do something like this, it was only possible when their wants were very small. If you are content with bread and meat and cold water and, perhaps, nuts or blackberries, for breakfast, dinner and supper, you may live as Robinson Crusoe lived. But if you want butter and pudding, and ginger beer and tea, you cannot provide yourself with them all. You have not time to grow and make them for one thing, and you cannot live in all sorts of different climates at once. Still less can you get a Sunday suit as well as an everyday suit of skins, or have books to read, pictures to go to, games to play, or time

for any of these things. So away must go the Robinson Crusoe idea.

The next desire of most boys is to drive an engine or a motor-car. It is splendid to think of the great strong machine rushing along, perhaps even at a mile a minute, and to feel that it obeys the touch of your hand on the lever or the steering-wheel. Well, some of you at any rate, may become engine-drivers or motor-drivers when you have learned how. But then it may occur to you that, if you are to drive an engine or a motor, other people must make engines or motors and, if you are given to thinking, you will at once see that it takes not one man but many to make an engine. You begin to inquire how engines are made, and you will find that only a few of those employed in making them know anything about making an engine as a whole. Most of them go on making the same part day after day, and the things they make pass out of their sight to other men who fit the parts together, and so on until the whole engine is complete, and is ready for you to drive, if you have carried out your intention of being an engine-driver.

We have not nearly got to the bottom of things yet, though, because, as we saw when we were speaking of the building of a ship, there are hundreds and thousands of men employed in

making the steel, smelting the iron-ore, mining the coal needed before you can even begin to make an engine, and each of these does only one part of the work of production. For instance, to get the coal from the mine to the surface, one man hews it from the " coal face," as it is called ; another loads it into a truck, or, as the miners call it, a " tub " ; another drives the pony which draws the tubs ; another winds the coal from the bottom of the shaft to the surface ; another " screens " or sifts it, and so on.

But we might go on for ever and ever like the man who told the story of the locusts and the corn. You must be left to imagine the rest. It all comes to this in the end : that each of us has to be content to do a tiny part of the world's work, and to do it in combination with thousands of other men who are doing other tiny parts. We are like the little men of Lilliput, who could each do no more than tie a piece of pack-thread round the giant limbs of Gulliver, but who, by working all together, bound him in bonds that he could not break.

Now, probably some of you, on reading this, will feel rather like the man who yearned for tornadoes and had to be content with the bellows. You will, perhaps, long for the days when each man really did make something perfect and complete by his labour. You will

think the lot of Chippendale's workman, who made the whole of a beautiful chair himself, much happier than that of the workman at High Wycombe to-day who goes on turning hind legs and never sees the whole chair except, perhaps, in a shop. Well that feeling is natural enough. Every boy would rather have a job of his own to do—let us say, would rather drive the engine than make a little bit of it. But, remember, if labour were not divided in this way, very many fewer things could be made. You would not, for instance, be able to buy any one of the best books in the world for a few pence. Really, by all working together, and each doing a little bit over and over again, we are helping each other to have the opportunity for a fuller and happier life, if we will only make use of it. If every man in a football team tried to play centre-forward, right and left wing, half-back and goalkeeper, that team would certainly never win a match. It is by combination—what is called "**team-work**"—that matches are won.

Besides, you need not always be doing the small, monotonous job. You ought not to do so, and you will not if you have the ability and the wish to rise. The more you think of it, the more you will see how such a big and complicated business, as is the production of goods to-day, requires men with brains to plan and direct,

or with power and character to oversee the work of other men. We may safely say that there are as many men employed in responsible posts, such as foremen, to-day as were employed altogether before steam-power came to increase tenfold the output of every worker.

And there are two other points that you will do well to think of. The first is that men do not have to work such long hours now as they used to. You will have more leisure time, and many more opportunities to enjoy that leisure healthily and sensibly. If you can have books and games and pictures and music, it is because machinery and the division of labour has made these things cheap and brought them to your doors. If your work is dull, you, at any rate, have more to think about while you are doing it, and more to enjoy when it is over.

Here is a story to illustrate the other point. An organist one day played the congregation out of church with a magnificent march. As the echoes of the last chords died away, the organ-blower put his head round the screen and said :

" We did that fine, sir."

" We ? " said the organist, with scorn. " What do you mean by ' we ' ? What had you to do with it ? "

The poor organ-blower retired into his corner, sad and crestfallen.

Next Sunday evening the organist had prepared an even greater effort. He pulled out the stops of the grand organ ; he got his feet upon the pedals and his hands upon the keys, and—not a sound came. Again and again he tried, and the congregation waited and wondered. The organ was dumb ! At length a head appeared round the screen, and a voice whispered, " Shall it be ' We ' ? "

That is true of the great concerto we have to play upon the organ of life. It is always " We." Our part may be as humble as the organ-blower's ; but it is essential to the harmony. If we realise that fact we shall see beauty and dignity in the dullest task. And, equally, if it should be our part to manage and direct, let us never forget that we depend on those who have the humbler tasks to perform no less than they depend on us.

CHAPTER XIII

PROFIT AND LOSS

We have seen that all forms of labour, whether of brain or hand, are generally paid a sum fixed by agreement—so much a week, or month, or year; or, it may be, so much per "piece"—per 1000 bricks laid or per acre of land hoed, and so on. Where men are paid by the year, their wages are called "**salaries**"; but there is no real difference. Just to clear the ground, we may add that doctors, lawyers, architects and some others are paid "**fees**"—that is, practically, the same as "**piece-work.**" Authors and composers of music usually get what is called a "royalty" of so much on every copy of their work which is sold, and the inventor of a machine may similarly be paid a "**royalty**" on every one of his machines sold. The payment is called a "royalty" because it is like the payments which the holders of the right to mine coal and iron have to pay on every ton they raise, and which were originally all paid to the King, though now, in many cases, the rights

of the King have been passed on to private owners.

But, as we saw in a former chapter, Mr. Plum, the grocer, receives the return for his labour in the form of "profits." Now what are "profits"? This is an important point to understand, because you hear a great deal of talk about them, and, very likely, you have heard people accused of "profiteering."

Mr. Plum, let us suppose, has first to obtain a shop and other premises from a landlord. He expends some of his capital in various ways, such as the buying of furniture, getting counters fitted, providing scales and weights, and a machine for slicing bacon into rashers, a cash-register, a hand-cart for Edward to wheel round when he delivers the goods, and a heap more things. He then uses some more of his savings or capital to buy goods for the shop, which he must replace as quickly as he sells them over the counter. These goods are his stock-in-trade. All those things must be obtained before he can do any business, and, as we have seen, they are provided out of Mr. Plum's savings, which are now called his "capital."

Mr. Plum has, however, other payments to make. He has rent to pay to the landlord, taxes to the State, and rates to the local Council. He has also to pay for insurance of his stock

against fire, and for the cost of repairs to his premises. As a careful man he knows that his fittings will gradually get worn out, and that some of his stock will be apt to go bad, so he has to lay aside a sum of money every year to cover "depreciation," which means the loss on the value or price at which he purchased the things. These are known as his "**overhead charges,**" which remain more or less at the same amount every year, however much or little his business varies.

Then, in addition, he has "**working expenses**" to pay for, which include such things as wages, interest on bank overdraft, the gas and water which are used in the business, and many other smaller items.

All the year through, of course, he devotes his own time to managing the business, and has to provide for his own living, which means that he must take from the business sufficient salary to do this. This and a fair return on his capital are included in what are known as the "profits" of the business.

So we may put the case in the form of a table, thus :

I. Capital Expenditure—
Fittings,
Stock-in-trade.

II. Overhead Charges—
Rent,
Taxes,
Insurance,
Rates,
Repairs,
Depreciation.

III. Working Expenses—
Wages,
Interest to Bank,
Waste,
Gas,
Water.

IV. Profits—
Payment for Management,
Interest on Capital.

Mr. Plum, if he is to be a successful grocer, must sell enough goods at a sufficient price to cover *expenses+profits*. He will, of course, buy all his goods "**wholesale**": that is, in large quantities, from the merchants, and he will sell them "**retail**"—that is, in smaller quantities, to his customers. He will buy by the hundredweight, and he will sell by the pound. For the convenience of being able to get what they require in small quantities, his customers will be

willing to pay a higher price than he pays to the merchants. For instance, he might pay the merchant £2. 16s. 0d. for a hundredweight of sugar, and sell that hundredweight by the pound for £3. 5s. 4d., so that he would get a "**gross profit**" of 9s. 4d. on the hundredweight, from which he would have to deduct a share of his expenses as set out in the table, before he arrived at his "**net profit,**" *i.e.* the money he could actually put into his pocket. Possibly the expenses would swallow up the 9s., and only leave him 4d. He would have to sell a great deal of sugar to make it worth while.

If Mr. Plum could sell sugar at any price he liked, it would be a very easy thing to be a grocer. But that is just what he cannot do. If his shop is in a town, there will be other grocers, and if Mr. Plum's charges are too high another grocer will sell sugar for less, and Mr. Plum's customers will go to him. If he lives in a village where there is no other grocer's shop, and the nearest town is three miles off, he will be able to charge more for his sugar ; but if he puts on too much, either the grocers in the town will find that it is worth while to send out carts with groceries to the village, or else the customers will find it pays them to go into the town themselves and buy at the cheaper rate. So the price at which Mr. Plum can buy, and the price at which Mr. Plum

can sell, are practically both fixed for him. But if he has courage and capital, he can do something by buying large quantities when wholesale prices are low; and if he gets a character for being trustworthy and obliging, he will attract more customers, and will make his profit by a larger "**turnover**" of goods.

That requires a little explanation, perhaps. If the price at which he buys is the same, and the price at which he sells is the same, how can a larger turnover bring him more profits?

Mr. Plum must calculate what he is likely to sell of each article in his shop, and divide up his overhead charges and working expenses between them. If the share of each, when added to the wholesale price, exceeds the retail price at which he can sell, he makes a loss. If it does not, whatever more he can sell his goods for is his profit. We have supposed that Mr. Plum's gross profit on a hundredweight of sugar is 9s. 4d., but that the share of his expenses which has to be put upon that hundredweight is 9s., so that his net profit is only 4d. But if he sells *two* hundredweight in the week instead of one, his expenses will not be seriously increased. Then his gross profit upon the two hundredweight will be 18s. 8d. But his expenses will remain at about 9s., so his net profit will be approximately 9s. 8d. Of course, if his sales

increased very largely, he might want another assistant, in which case his expenses would increase; but the gross profits of his sales would more than cover that.

Well, suppose his net profits for the year came to £500, and the savings he has invested as "capital" were £1000. He might say, "I pay myself £6 a week of this for my services as manager. That is just over £300, and the rest is interest on my capital at 20 per cent. or a little less." If he were a careful man, he would put by £200 of this £500 for a rainy day. For, next year, he might not make more than £300 profit, and then he would get no return on his capital. If his business went on increasing, on the other hand, he would want more capital to run it with. He might want to enlarge his shop, or buy a motor to deliver his goods more quickly and to customers who lived farther off, and so he would gradually build up his business.

But you must remember that all the time he is taking the risk of loss. He may buy tea or sugar or cheese when prices are high, and, before he can sell them, prices may go down, or a big customer may die or go away. He must always keep something in hand to meet a run of ill-luck, or the consequences of a mistake on his part. There may be years when he gets, in interest on his capital and payment for his

services for management combined, less than he pays William as wages. He has got to take all the chances.

In the next chapter we shall have something to say about profits in a big manufactory and in a coal-mine.

CHAPTER XIV

PROFITS OF LIMITED COMPANIES

Mr. Plum, the grocer, as we have seen, takes all that is left of the money he gets by the sale of the groceries after he has paid his expenses. But he takes the risk of loss through failure to sell enough goods at a high enough price to make his takings greater than his expenses. He is able to take the risk because he has "capital," *i.e.* savings which he uses in his trade. William and Edward could not afford to take any risk, and, therefore, they are paid wages weekly. If Mr. Plum exhausts his capital, then, of course, he must discharge William and Edward, and seek for a job for himself by which he can earn wages.

Now, that is a very simple matter. It seems quite a natural thing that Mr. Plum should make profits. If your father sells a crop of potatoes, he naturally expects to get something more for them than they cost him to grow, and it is just the same with Mr. Plum or any other shopkeeper.

But when we come to look at the question as it concerns big manufactories or mines, which, as we saw in a previous chapter, are generally run by Companies, the matter is, perhaps, a little more complicated.

Take our shipbuilding yard again. It is not now a matter of one man supplying the capital and looking after the business, nor is it a matter of paying the wages of one man and a boy. The capital has been supplied by some hundreds of people, only a few of whom have anything to do with the management, while numbers of them are busy in other kinds of work, and have entrusted the savings, on which they count to keep them in their old age, to those who have started the business and who manage it.

And there are, perhaps, two thousand workers to be paid weekly, while the material required for building the ship may have to be bought in all parts of the world, and the order for the ship herself may only be obtained after competition with other shipbuilding businesses, not only in England and Scotland, but in France, Germany or Holland. You will easily understand that the shipbuilder will have to do some very difficult sums before he can say what the ship will cost to build and before he can name the price he will be prepared to build her for. If he made a mistake anywhere, or if the workers, for some

reason, do not work well; if even the workers who are engaged in making the plates or the frames, or the miners who are getting the coal, cease from work, although they are not employed by him, the ship may cost more than he has agreed to sell her for, the Company loses some of its capital, and he will have to ask a high price for the next ship, in which case he may not get the order.

Sometimes a very little additional cost makes the difference between a profit and a loss. There was once a manufacturer of sailcloth whose grandfather had made the sails which carried the *Victory* into action at Trafalgar. He said that, when his father died, the business was losing money. He looked into the accounts, and found that if he could save one-sixteenth of a penny in the cost of making a yard of cloth, he would turn the loss into a profit, and this he was able to do.

You see what a responsibility rests on a man who has to manage the business of a Company. The savings of hundreds of shareholders and the livelihood of thousands of workers depend on his knowledge, judgment, energy and prudence. Such a man deserves to be well paid for his work, doesn't he? The owners of the capital get no certain salary, and no fixed interest. They take their payment in "profits," that is to say,

they get the benefit of the manager's skill if he is successful, and bear the loss if he fails.

But, if there are times of good trade, there are also times of bad trade, which come from causes which no manager, however skilful he is, can control. Provision for those bad times has to be made out of the profits of good times, and, therefore, some part of these profits has to be put away for a rainy day.

And machinery wears out and has to be replaced; some material is spoiled in the working of it; sheds and building-slips will some day require to be rebuilt.

If you were to look at the "**balance sheet**" which our shipbuilding company issues every year to its shareholders which tells them how their money is used, you would see such things put down as "**investments,**" "**depreciation,**" "**reserve fund,**" money "**brought forward**" and "**carried forward,**" and so on. These generally represent that part of the profits which is not divided among the shareholders immediately it is earned but is used to make the position of the Company safe, and to ensure that the shareholders get a fairly regular return for the capital they have supplied to the business.

Now, let us take "depreciation" and "reserve" first. Buildings and machinery begin to wear out as soon as they begin to be used.

Their value is, of course, known at the beginning, and a certain sum is taken off each year—the value is "**written down**" so much per cent. A similar sum is taken from the profits and put to "depreciation account," and, therefore, the buildings and the machinery can always be kept in tip-top order. Besides this, the "reserve" must supply the means for the purchase of any improved machinery which may be invented, and for any additional buildings which may be required. Every manufacturer or shipbuilder looks forward to increasing his business, employing new workmen and making more goods for the use of the world. He would rather save the money to do this out of his own profits than ask for more capital from the public, though this sometimes has to be done.

The money put to "reserve" is probably not wanted for the moment, so, as it would be wasteful to let it lie idle, it is invested in Government Stocks, such as war loan or, perhaps, in Companies from which the investing Company gets its raw material. The interest from these investments is included in the "profits" of the year, and it may happen that the dividends are paid to the shareholders in a bad year from the interest on investments and not from any profit made by trading at all.

Suppose a Company has £200,000 capital

and earned last year a profit of £50,000. It places £10,000 to depreciation account to cover the estimated loss on machinery, etc., and a further £10,000 to reserve account so as to have a nest-egg with which it can buy better machinery or increase the business. That leaves £30,000 for the ordinary shareholders. It is decided to pay a dividend of 8 per cent., and as this will take £16,000, £14,000 is left to be "carried forward." Next year is a bad year, and the trading profit is only £10,000 instead of £50,000. What does the Company do? It adds the £14,000 which it carried forward last year to the new profit, and it thus has £24,000 to deal with. It must put £10,000 aside to cover depreciation; and it thus has £14,000 available to pay dividends to the shareholders. It cannot, therefore, maintain its dividend of 8 per cent., and if the Directors are prudent, they will not pay more than 4 per cent., putting £3000 to "reserve" and carrying forward £3000, in case they get another bad year.

Such a business as coal-mining is particularly risky and, besides, coal-mines have only a short "life" comparatively. They are worked out in, say, sixty years. So if a coal-mine is started with a capital of £120,000 it is necessary to put one-sixtieth part of that sum aside every year out of profits in order that the capital may not be lost when the coal-mine is worked out. So

£2000 must be reserved each year, quite apart from the sum set aside for depreciation which is necessary for the renewal of machinery, and so on. Moreover, a coal-mine takes a long time to sink, and some years may go by before there is any coal to be sold. There was one mine on which nearly a million pounds was spent before any coal was got out. When the shaft had been sunk a certain distance the water began to rush in. All sorts of ways were tried to stop it, and at last it was done by means of machinery which cost a very great deal more than had been allowed for.

You will easily see that, if people are to be induced to put their savings into so risky a business, they will look for a large profit on it. And this you may take for the general rule: that the greater the risk of loss, the larger must be the possible rate of profit if the capital necessary to start and work a business is to be attracted to it.

CHAPTER XV

SHIPS AND CARGOES

EVERY Englishman has an interest in the sea, especially every English boy. You all know how Sebastian Cabot set out from Bristol and discovered Newfoundland and the coast of Labrador; how Willoughby tried to discover the North-East Passage to India and perished in the Polar snows; how Drake sailed round the world in the *Golden Hind*, and how Captain Cook discovered the South Sea Islands. Many of these bold sailors brought home to us things which were then new, and which are now necessaries of life to us.

Raleigh, for instance, brought tobacco over from Virginia, and when his Irish servant first saw him smoking, he poured a bucket of water on his head, thinking he was on fire. We do not know who first brought tea over; but it is said that when English people first tried to use it, they poured the tea away and ate the leaves, as if it were some new kind of cabbage. Very

nasty it must have been, and very unwholesome. These things occurred at the beginning, or almost the beginning, of our oversea trade, at least so far as the trade was carried on in British ships. Before the days of Queen Elizabeth most of the goods we got from foreign countries came in foreign ships, either in the Venetian galley, which used to come once a year, or in German ships of the Hanseatic League, and the goods which they brought were chiefly articles of luxury like silk, furs, velvet or wine. The people of this country grew their own food, made their own clothes from the wool which grew on the backs of English sheep, and made their own boots from the skins of English cattle.

Now it is very different. There are ten people living in this country for every one who lived here in the days of Elizabeth. We only grow enough food at home to feed about one-third of them; we want all kinds of things like tea and sugar and tobacco which are not produced in these islands at all. Our clothes are made of wool from the backs of Australian or South American sheep, and of cotton which grows in the United States of America, Egypt, India and other places. The leather for our boots comes, much of it, from foreign lands. The greater number of our people live by making things out

of raw material which is brought from abroad. Of course, if we are to get these things, they must be brought here from overseas, and must be paid for with goods which we ourselves send across the sea or with services given by our people to people living beyond the sea. The goods we bring in are called "**imports**"; the goods we send out to pay for them are called "**exports.**"

If you could see the whole world at a glance, you would see ships by the hundred passing over every ocean and sea, and hundreds more lying alongside the quays in the different parts of the world, taking in cargo or unloading it. Of all those ships you would see that more than one-third are flying a red flag with the Union Jack in one corner—the "Red Ensign" which is the flag of the British Merchant Navy. Before the war, it would have been one-half. That is a very important matter to us, because it is largely by what these ships earn by carrying goods from foreign countries to us that we are able to square the bill for the food and raw material we require.

Let us look into this a little more closely. Of course, the food we import is nearly all eaten in this country, and nearly half of our "imports" consist of some kind of food. Then another quarter of our "imports" consists of raw

material—wool, cotton, silk, hides, metal, timber and other things to be worked up into finished goods in our factories. When these have been worked up they are, of course, much more valuable than the raw material. A suit of clothes, for instance, is worth much more than the wool from which it is made, and a steam-engine than the steel which it contains. But our own people require the greater part of what is made in our factories for their own use. Only about 30 per cent., or less than a third of the goods manufactured from the raw material we import, is exported again. So, you will see that the finished article would have to be sold for three times as much as the raw material of which it is made if we are to pay for all the raw materials we import by its sale. The only other thing we export in any quantity is coal, and we do not sell abroad enough of this to pay for the food and manufactured articles we import. Consequently, you will find that the value of our "imports" is always much greater than that of our "exports," and, if there was not some way in which the difference was made up, we should always be getting deeper and deeper into the debt of the countries from which we obtain our food and raw materials, just as you would if you got more things from the grocer than you could pay him for.

THE BALTIC EXCHANGE

Our Overseas' trade is always rather a mystery to those who are not engaged in it. But some one must buy the wheat that is grown in Australia, and sell and distribute it to our millers before it can become the bread that we need. Some one must buy from the merchants abroad the sugar, the cotton, the wool we require, and sell and distribute them to our merchants. Here is an illustration of the Baltic Exchange. This is the great London centre where most of the cargoes for this country are bought and sold while still on the high seas. Though you see no shop windows nor goods displayed, yet here is the largest "shop" in this country where wheat changes hands in thousands of hundred-weights and tens of thousands of pounds. Here it is possible for wholesale traders to buy nearly all the food we import and much of the raw materials. In the top left-hand corner (inset) is a picture of a typical "tramp" steamer laden perhaps with grain, or metal ores or wool, consigned to an English firm from one of our colonies or a foreign country (see. pp. 95 and 97).

That does not happen, partly because the greater part of our imports and exports are carried in British ships. The owners of these ships do not, of course, carry the goods for nothing. They charge so much per ton for carrying them, and the service given by a British ship in bringing the goods over is helping to pay for the import. There are other things besides, such as the services of our bankers and our insurance firms, and the interest on money we have lent to other countries, with the result that we are able to pay for what we import although it looks, at first sight, as if we must be getting into debt by buying much more than we sell.

You must not think of British shipping as *only* carrying goods to and from this country. There are some British ships which never see a home port, and there are many more which are away some years conveying cargo between one foreign port and another until they presently get a cargo for Old England. But the freights earned by all these come into the total of what are called our "**invisible exports,**" and thus help to pay for our imports.

At one time, every nation used to try to keep all the trade going out from its ports and coming into them for its own ships, and would not allow goods from its colonies to go anywhere except

to its own ports, or to be carried in any ships but its own. This led to many wars, and to a great deal of expense besides, as every nation used to have to keep a lot of armed vessels to stop smuggling. But we have long ago found out that it is far the best to leave merchants who want to send goods abroad perfectly free to send them where they like and in what ships they like. We not only save the expense of watching for smugglers and avoid quarrels with our neighbours in this way, but we also get goods much more cheaply. Here is an example of the way in which it is done.

Suppose we want a cargo of Norway pine, and there is no cargo from this country to be sent to Norway. If we insisted that the cargo should come over in one of our own ships, we should have to send one over empty, and the wood would cost almost double to bring. But a Norwegian ship may bring that cargo of pine here, and when she has discharged it, take on a cargo of English goods to South America. Thence she may sail with a cargo of coffee to France, and return to Norway laden with French wine. So she is earning freight all the way. Meanwhile the English vessel which would have had to go empty to Norway, has taken coal to Italy, fetched a cargo of macaroni and olive oil to Hamburg, and brought a full load of

potash back to England. So she also has earned freight on her whole voyage, and every one has gained in cheapness by " pooling " the ships and making the fullest possible use of them.

CHAPTER XVI

DISTRIBUTION AND CREDIT

We know a good deal now about how goods are grown or made and sold. But perhaps you have got some further questions in your mind which we must try to answer. For instance, How does Mr. Wallaby, the Australian corn-grower, know what flour Mr. Bunn, the baker in our village, needs, and how does Mr. Bunn pay Mr. Wallaby, who lives "down under," thousands of miles away, for his corn?

It is more likely than not that Mr. Wallaby has never heard Mr. Bunn's name, and it is quite certain that Mr. Bunn does not send cheques or postal orders to Mr. Wallaby. There are all sorts of stages to be gone through between Mr. Wallaby getting his money and Mr Bunn getting his flour. You must remember that an Australian farmer grows very much more wheat than is needed by one baker, like Mr. Bunn, and could not spend his time selling wheat to a number of bakers over here. Also that there are a great

number of Australian farmers growing wheat, and any number of English bakers needing it.

Who buys the corn from Mr. Wallaby? A corn-merchant at Sydney or Melbourne. To whom does that corn-merchant sell the corn? To another corn-merchant in Plymouth or Southampton or London. To whom does *that* corn-merchant sell the corn? To a miller, perhaps at the port where it has arrived, or perhaps in an inland town or village. To whom does the miller sell the corn? Well, he sells the bran and the "middlings" to Farmer Giles, who feeds his cattle on them and makes beef or milk therewith, and the fine flour to Mr. Bunn. So there you have the chain by which the corn from our Australian farm reaches, in the shape of flour, the man who supplies the loaf which appears on your tea-table. Of course, other people come in. There are the railway companies which carry the wheat from the farm to the port from which it is shipped, and from the port at which it is unloaded to the miller. And there is the shipowner, who brings it all across the sea at the cost of about one farthing on the four-pound loaf, and, in his turn, pays the dock companies who load and unload the ship. The merchants who buy and sell the corn have to arrange to pay the railway companies and the shipowners.

These merchants are sometimes called " middlemen " because they stand half-way between the grower of the corn and you who eventually eat it. We cannot do without the middlemen, as we require them to collect the goods we need into huge quantities so that the cost of carriage may be less, and to distribute the goods to the people who want them in small quantities. Mr. Wallaby is busy growing wheat and Mr. Bunn making loaves. Neither of them has the time to arrange for its being sent across the seas and being insured against loss of spoiling and so on.

So there is a whole group of men whose business it is to buy wheat from the farmer and sell it to the miller, who sells it to the baker. They have to know all about the different kinds of wheat from different countries (such as Canada or Australia or Russia), and the yield of a particular harvest according to the weather. These men perform a " service " for you and me.

But now, how is all this paid for ? Mr. Bunn gets nothing for his flour until he has made it into bread and sold it. If he is to get the flour as cheaply as he can, he must get it in large quantities, and he may not use it all and get paid for it for a month. The miller, therefore, allows him to have the flour a month before he pays

for it. That gives Mr. Bunn time to get his money in, and he sends a cheque for the last lot of flour he has received when he orders the next month's supply. In other words, Mr. Grist, the miller, gives Mr. Bunn, the baker, a month's credit—which merely means that he trusts him to pay that amount at the end of the month.

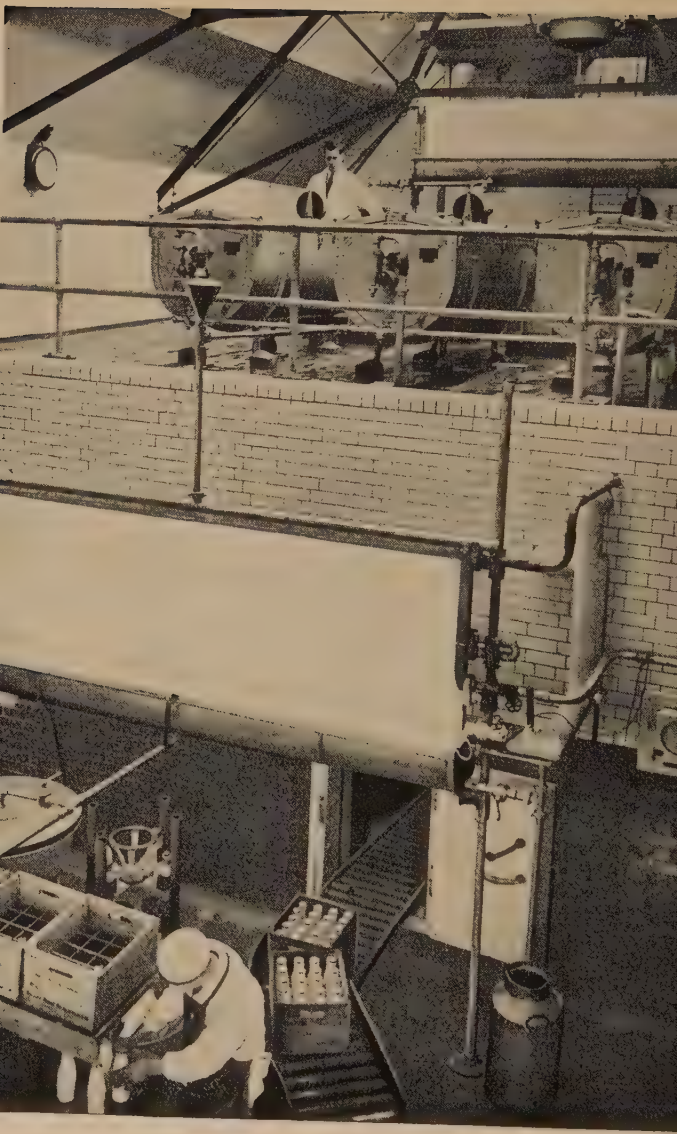
Of course, this leaves Mr. Grist in the same position. He has to pay his expenses as he goes along, and he is not going to get his money from Mr. Bunn until a month after it is due. It is a bigger matter in his case, because he supplies not one baker, but many. So he has to get credit from the corn-merchant in England who buys the wheat from the corn-merchant in Australia. And the corn-merchant in England, in addition to giving credit to the millers, has to wait for seven weeks before the cargo of wheat which he has ordered reaches him. He cannot pay the corn-merchant in Australia until the wheat has arrived and has been sold. Finally, the corn-merchant in Australia has to pay Mr. Wallaby, the farmer, who probably wants his money at once, as he has to pay his farm workers week by week and to meet all the other expenses of his farm. Farmer Wallaby has already been obliged to get credit for his seed and so on because it takes months for seed to grow and ripen into wheat.

Every one the whole way through, you see, wants to be paid at once what is owed him and to put off paying what he owes. How can this be arranged ?

Well, it is arranged by what are called " Bills of Exchange." Bills of Exchange are very like cheques. But, whereas cheques are generally paid as soon as the money is asked for at the bank, Bills of Exchange are not as a rule paid till a much later date—say one month, two months, or three months. Now, Farmer Wallaby wants his money at once ; but the corn-merchant at Sydney will only get his at the end of three months. Farmer Wallaby, therefore, makes out a Bill of Exchange requiring the corn-merchant to pay so much to him (Farmer Wallaby) three months later. The corn-merchant writes " **accepted** " on this bill, signs it and dates it, and Farmer Wallaby can then take it to his bank and get the money right away, less a small payment to the bank of, say, 5 per cent., for advancing the money. This payment is called **discount**. In the same way, the corn-merchant in Britain " accepts " a bill payable three months later in favour of the corn-merchant in Australia, and so on. So while each gives credit—one month or two months or three months, as the case may be—each can get the money he wants at once, because the banks are ready to advance

MILK BEING PASTEURISED AND BOTTLED

JUST as there are several groups of men who buy and sell at different stages of the progress of the wheat from Australia to our breakfast table, so it is on a smaller scale with the distribution of milk from our British cows. This illustration shows us a service rendered to us by a big wholesale dealer in milk, a service in addition to that of distribution. The plant shown here is used in the purifying of milk. The milk, collected from many farms, brought by rail or motor lorry to this depot, is "pasteurised," *i.e.* all harmful bacteria are destroyed, though the nutritive value of the milk is not diminished In the upper part of the picture the milk is being heated in the vats, from which it flows through a cooler, and from thence to a bottling machine which automatically seals and caps the bottles, which will, eventually, be delivered at your door. In this case the "middleman" (see p. 102), besides "distributing" the milk, performs a second public service in pasteurising it.



it on the security of these promises to pay. They believe that the acceptors are able and willing to pay—and they will not believe it unless they have good grounds for their belief. It is here that the character of the trader comes in, and is a proof of the truth of the old proverb that "Honesty is the best policy."

Of course you will see that overseas wheat is not really paid for by a piece of paper. Something of equal value must be sent out from this country. Perhaps it is agricultural machinery which Farmer Wallaby requires. To take the simplest case in theory, the British corn-merchant's Bill of Exchange would go to the maker of the machinery and the bill which the Australian corn-merchant had given to Farmer Wallaby would go to the importer of machinery. In practice most Bills of Exchange from all over the world find their way to London. There they are dealt with by **bill brokers** and the banks in a way similar to cheques at the Bankers' Clearing House. We have just tried to show you what happens in the simplest form. But we have told you enough to make you see how many arrangements have to be made before you can do a thing which seems so simple as buying a loaf of bread. Getting our living is not nearly so simple as it sounds.

CHAPTER XVII

LAND AND ITS USE (I.)

We must now think of something which is as important to us in getting our living as capital, and even as labour. That something is **Land**, which provides most of the raw material on which both capital and labour work. We can only live on the surface of the earth, and from the earth we must draw the "kindly fruits" which feed us, the cotton and other things which clothe us, the materials of which our houses are built, the coal which warms us, and the gold, silver and copper out of which the money is made through which we all exchange our goods and services. Even the animals from which we get our meat and wool and leather must be classed with "land," for it is on the land that they live and by the land that they are fed. All men, therefore, require the use of land, and the question we have to think about is, How is the land used?

People often think too narrowly about this. They do not see that those who do not grow a

single potato or ear of corn yet have in effect the use of the land if they can exchange the money which they earn for what the land produces. Of course there was a day when most people tilled a farm, or kept a herd of cattle or a flock of sheep. There was a day farther back still when every one lived on the corns and nuts he could gather, or the wild animals he could chase and kill. But men's wants soon became greater and more various than could be satisfied simply by farming or keeping cattle, and a number set themselves to make or to sell such other things as were wanted in return for what the husbandman grew. But these still have the use of the land, because they have the use of the things which are grown on the surface or dug from underneath, exchanging for them the goods they produce or the services they render.

To understand how the land is dealt with, we must go back to the days when this island of ours was chiefly forests and marshes, as some parts of the world are to-day. Such land is, of course, of no use whatever to man until he has worked on it. He must first cut down the trees, grub up the gorse and the brambles, make ditches and water-courses to drain the marshes, and then only can he use it to grow food. And that is just how farming began. There were so few people that each man who

desired it could pick out the piece of land he wanted, clear it, build a house upon it, and then grow his corn and feed his cattle. In the days of our early fathers he had to fight for his farm, if any one else coveted it. You may remember that the herdsmen of Abraham and Lot fought for the best pasture for their masters' herds, and that the two wise old Patriarchs agreed that there was plenty of room for both, and that they would separate.

But to return to our island. We do not know much about the customs of the Ancient Britons, except what Julius Cæsar and the Roman historian, Tacitus, tell us; but many of them were, apparently, settled on their own farms, and the Romans, who were city-dwellers, and chiefly soldiers or tradesmen, left them there. But when the Saxons came, they drove the Britons from their farms and occupied them themselves, gradually clearing more and more of the country and cultivating it. The Saxons settled down in little communities called "hams" or "tons" — villages or towns — and lived a sort of family life under the protection of a "thane," for whom they worked and who, in return, gave them his protection from foreign enemies or robbers. Thane and "carle," they lived all together, cultivating the common field and feeding their cattle upon the "waste."

The word "Lord" is derived from the Saxon "Hlaford," which means a "loaf-provider," and "Lady" from "Hlafdige," which means "loaf-divider," which shows how the Thane and his wife were related to those who lived in the "ham" or "ton."

When William the Conqueror defeated and slew Harold he set up a strong Government over all the land, and he claimed the ownership of all of it, dividing it between the Church and his Barons and Knights. But he *gave* the land to no one. Bishop and Baron and Knight were alike his "**tenant.**" They held their lands from him, and were bound to do him service, by providing so many men to follow him to the wars, or in some other way. Most important of all, the King's tenant or "tenant-in-chief," as he was called, had to do justice among those settled on his "**fief**" or "**manor,**" and thus Law began on the land.

Under these "**tenants-in-chief**" or "**Lords of the Manor**" were a number of smaller men who had their own holdings of land, subject to the duty of taking up arms when called upon, and paying to the Lord of the Manor so many days' labour in the year. The fields these men cultivated were open fields, divided into "lands." This custom lasted until the eighteenth century, and you can see the ridge-and-furrow in many

fields, both grass and arable. They are still called "**lands**" in many parts of the country.

The eighteenth century saw most of the fields enclosed and divided between the Lord of the Manor and his tenants, in the belief that, if each man had his own land, and kept it, he would grow more on it. New and better methods of farming had come in by then. For instance, the land was being scientifically drained, and it was difficult to carry on these better methods in the common field. Moreover, factories were springing up, and people began to grow food to sell to the people whom the factories had drawn to the big towns and not chiefly for their own use. This required more capital than most of the smaller tenants had got, and, consequently many of them sold their portions to the Lord of the Manor and, very often, went off themselves to work in the factories. The Lord of the Manor thus got more than he could farm himself, and he let it to tenant farmers who paid him money rent for it, and employed the men who used to be the smallholders, and remained in the country as labourers at a weekly wage. This, unfortunately, led to a good deal of hardship in some cases.

But it is important for you to remember that no man actually "**owns**" the soil of England. The only "owner" is the King, not personally,

but as Head of the State. Of course, that means, nowadays, that the land is owned by the State —that is, by the people of the country acting through Parliament. Consequently any land can be taken by Act of Parliament, if a fair price is paid to the landlord. This is done when land is wanted for railways, or to build schools upon, or for small holdings or allotments.

You will naturally ask, Why should anything be paid to the landlord if the land does not belong to him but to the State? The answer is that he and those who went before him have brought the land into use. The forest or marsh, as we have seen, was worth nothing. The land had to be cleared, drained and fenced. Roads and bridges had to be made; a farmhouse and cottages for the farm workers built, cowhouses, stables and pig-styes erected, and all these kept in repair. And all this has been done, in most cases, by the landlord, or by people dead and gone, who either sold the estate to him or left it to him when they died. And, as he would never have expended his capital on the land unless he was sure of being left in peace to enjoy the fruits of it, the King first, and then the State, granted him a perpetual tenancy which is, practically, the same thing as ownership.

CHAPTER XVIII

LAND AND ITS USE (II.)

Now, we want to say a few words about the letting of the land to tenant farmers and others, and about rent. Of course the farmer has to buy all his farm implements — ploughs, reaping machines, and so on, and his horses and cattle and sheep, his seeds and manures, and to pay his labourers' wages. For this he must have capital of his own. He looks to get a fair interest on this capital when he has paid all his expenses, and a proper reward also for his own work. Part of his expenses are what he agrees to pay to his landlord for rent—that is, for the use of the productive power of the land and of the house and buildings, etc. Perhaps he pays £1 an acre rent for a farm of 200 acres ; he then gets the use of the farm buildings, gates, fences, etc., which may, perhaps, have cost the landlord £5000, for £200 a year. You see, in such a case the landlord really gets nothing for the use of the land, but only for what he and those who

went before him had put into or upon the land.

But it must be remembered that all land is not of equal value. Some soil will grow much better crops than other soil; some fields have a good water supply, and others none; some land is near a railway station or a town, and is valuable not only for farming but for building upon. Land of this kind is worth more and will fetch more if the landlord is prepared to sell his right to its possession. Therefore, he will ask a tenant more rent for it, and the tenant will be willing to pay more, if, in his turn, he thinks himself able to make more profit out of it. If a farm containing very good land, or near a railway station or a town, is to let, there will be more farmers wanting to take it than will want to take a poorer farm, and they will offer higher rent for it. So you see that the value of land, just like the value of coal or diamonds, or anything else you can name, is a matter of "**supply and demand,**" the greater the demand and the smaller the supply the higher the value will be.

This is the system on which the land is made use of to-day. There is nothing in it very different, at bottom, from the way in which any material which comes from the soil is made use of, though the laws and customs belonging to the holding of land are peculiar to itself. The

landlord, tenant farmer and labourer are a group providing something which other men need, just as the group of coal-owners, managers and miners produce coal, or the cotton companies, managers and operatives produce cotton. Like all the rest, those engaged on the land exchange what they produce for what they want through the medium of money. Farming is one of the most highly skilled professions, and it is only those who have been trained to it from their youth, and whose fathers before them, perhaps, have also been farmers or farm labourers, who can make the best use of the land. You would not expect a farm worker to become a cotton operative or a motor engineer without training. Neither can a cotton operative or a motor engineer become a farm worker without training.

You should also know something about land which is not used for farming, but upon which houses and factories and docks are built—what is called "**urban**" or "**town**" land.

At one time practically all the land in the country which was not forest or marsh was used for farming. There were very few towns of any size except London. Such towns as there were were chiefly market towns to which the farmers brought their produce, and the Lord of the Manor built and owned the houses and shops which were part of his estate, and a very necessary

part too. He took a "**toll**" of the market. That is to say, the people using it had to pay him so much for providing and keeping it up.

But, then, with the starting of manufactories during the eighteenth century, the owners of these manufactories required houses for their workpeople and other buildings besides, and it became the custom for the landlords to let land on lease in small "parcels" or plots on which builders built the houses which were required. These leases were for long periods of time, for sixty or ninety-nine years. The rent paid for the land was sometimes very small. In some leases the reserved rent was "one peppercorn," so we talk of a "peppercorn rent" when we mean that land is practically given. But it was more often a few shillings or, perhaps, a pound a year on the site of each house. The landlord was willing to let land at a cheap rate because, at the end of the lease, the land went back to him *with the house upon it*, or the factory, or whatever it might be, and, if the "**lessee**"—that is the man to whom the land was let—wanted to renew his lease, he had either to pay a "**fine**"—that is, a sum of money down—or to take it at a higher rent. Of course the lessee of the land himself could let the house or building at a much higher sum, or sell it to some one else

for the term of years during which his lease continued.

As the population of the towns increased, the demand for houses grew greater and the land became more valuable, so many men have become very rich through the falling in of their original leases and the "fines" or increases of rent which they were able to charge for renewing them, and people have refused to build new and better houses because they knew that after so many years they would cease to be theirs.

Let us imagine the case of a small seaport which some people think might be developed into a big one. They get capital together to build docks and houses for the dockers. If they had to buy the land, it would take a large part of their capital. And the scheme might not succeed. So the landlord lets them have the land on lease, and they have sixty or ninety-nine years in which to make the undertaking a success. If they fail, the landlord, at the end of that time, receives his land back practically useless. If the little port really grows into a big one, then this property is increased in value, and he will get a big increase in his income. Here you see the law of supply and demand at work again. The amount of land available for making wharves and railway sidings and putting up warehouses and dwellings for the workers is limited. There-

NORTHAMPTON FROM THE AIR

THIS is a picture of the town of Northampton taken from the air. In the middle, you will see the Market Square and the tower of the old Church. Northampton used to be a little market-town; but it is now one of the chief centres of the boot-making trade. When machinery was invented for making boots, the town began to grow very rapidly, and more land was wanted upon which to build houses for the workers to live in (see pp. 114–5). You can see the factory chimneys just outside the centre of the town, and, beyond them, stretching away into the fields, the streets of workers' houses.

As more and more of the land is taken up for building, it becomes more and more valuable (see p. 116), the "demand" for houses for the workers near to their work being greater than the "supply" of suitable land. So the owners are able to get a bigger price for it (see p. 117).

Very likely, many of the workers own their own houses, having bought them out of their own savings through a Building Society.

'fore there is a big demand for it and the landlord gets more for it, just as the coal merchant does for his coal when there is a strike, or as the bricklayer does for his labour when a great number of new houses are wanted.

This is the way in which some of the ports on the Bristol Channel, which are now flourishing concerns, giving work to many thousands of men, have been created. The same thing is true of mining and manufacturing towns which have grown up in the last one hundred and fifty years.

CHAPTER XIX

PUBLIC SERVICES AND HOW WE PAY FOR THEM

You will, perhaps, remember that in one of the first chapters we told you that "civilisation" means no more than the art of living together without treading on each other's toes, and that to be "civil" means no more than so to bear and forbear with those among whom we live that life may be peaceful and pleasant, and that each may be secure in the enjoyment of what is lawfully his. The word is derived from the Latin "civitas," a "state," and "civis," a citizen. "Polite," which means the same as "civil," is derived from the Greek word "polites," which also means a citizen, a dweller in the "polis" or "city."

You have all heard of the Romans, who conquered Britain. The name Rome stood first of all for a city and then it came to mean the whole of Italy, and then much besides. When the Empire grew very big, Rome made Roman

citizens of a number of the inhabitants of big provincial cities. St. Paul was very proud to be a citizen or a "Roman." He asked Caius Lysias, "Is it lawful to beat a man who is a Roman and uncondemned?" But he was also very proud to be a citizen of Tarsus, "no mean city," as he says.

We all of us have, or ought to have, something of this double pride in being, first, Englishmen, and, secondly, Londoners or citizens of Newcastle, Birmingham, Southampton, or wherever it may be. If we live in a village, we can feel the same pride in our village—in its church and its school and so on.

We will deal with the State first. People often talk as if "the State" were something above and outside us all—some mysterious person whom no one ever sees, who is possessed of unlimited power and unlimited wealth, and who can do things for us which we cannot do for ourselves. Now that is perfectly untrue. The State is made up of you and me, Smith, Brown, Jones and Robinson, and all the other Smiths and Joneses and so on who have been born in these islands and of British fathers. The King is the visible representative of us all who carries into effect the wishes of his people. The State has no power and no money except what it gets from the people of the country.

Why, then, does the State exist? Why are we governed and made subject to laws? Just because it would be impossible for us to live together in great numbers and to get our living peaceably if we were not. Would Tom Jones, who is 6 feet 4 inches and weighs 17 stone, work if he could grab John Smith's potatoes when he has grown them, or take Sam Brown by the scruff of the neck and make him clean his boots?

There are some services, then, which all the people of a country or nation require, and which are, therefore, best and most cheaply done for them by the Government or "State." You will easily understand what some of these are. First, the administration of justice. If, instead of each fighting for our rights, as used to be the case in old time, we are to be able to appeal to the law, there must be judges and magistrates. That is a matter for the State as a whole, and all our judges and magistrates are appointed by the King on the advice of the Lord Chancellor. The State must also maintain the Navy and the Army, to protect us from foreign foes, and the Post Office which ensures that we can send our letters and parcels about the country and abroad with the least possible delay. But there are also a number of things which are partly for the State to manage and partly for each locality.

The police is one of them, our schools are another, and our roads a third.

As these services (and many others which I have not space to mention) are done in the interest of us all, it follows that we must each of us contribute a part of what we earn by our work to pay for them. The part required by the State is decided by Parliament, and is taken in the shape of **taxes**. The part required for local purposes by the county or town in which we live is decided by the County Council, Borough or District Council or Parish Council, and is taken in the shape of **rates**. It would never do to allow one man to say, "I don't approve of the Navy or the Army," or "I don't want schools," and so refuse to pay. So when Parliament has decided how much we are to pay and how we are to pay it, payment is compulsory on us all. Sometimes we are made to pay a "**direct**" **tax** —a certain share of our income, if our income is above a certain sum; or a part of the wealth we leave when we die. Or our share may be taken by "**indirect taxation.**" On every pound of tea, coffee, sugar, tobacco and a number of other things which come into this country money has to be paid to the Government before the shopkeeper can get it to sell. This money is called "**duty.**" The shopkeeper adds the "duty" to the price of the article he sells, so

that all of us who drink the tea or smoke the tobacco pay it.

Duty paid on goods we import from abroad is called "**Customs Duty.**" But there is also a duty on some things which we make at home, like beer and whisky. This is called "**Excise,**" which means, literally, a piece chopped off the sale price for the Government.

The Post Office, of course, more or less pays for itself. The stamp you put on a letter does not cost the sum for which you buy it. It represents the price you pay for the service given you by the Post Office. If the Post Office did not pay for itself we should have to pay for it with taxes, as we pay for the Navy.

But there are other services required not for the whole nation but for the inhabitants of the town or village, or district in which we live. We must have plenty of pure water whether we live in town or in country. It is much better and cheaper, if it can be done, to have this water brought to us from a big reservoir which will supply us all rather than each to have a well in our backyard and fetch the water in pails or pump it up. If we live in towns, we must have our streets paved and lighted, if in the country, our roads and footpaths kept in order. Then there are the poor, chiefly those who are too infirm to work, who have to be maintained,

and, as we wish to have a voice in the control of the Police and in the management of the schools of our town or village or district, we must pay a share of the cost. There are a number of others, but we need not worry about them.

Well, the part of our earnings which we contribute for these things is not called taxes, but " rates," and we pay them according to the value of our houses. Suppose the " rates " to be 10s. in the £. The man who lives in a house worth £100 a year will pay £50 ; the man who lives in a house worth £20 a year will pay £10. Generally speaking, all alike get the same services, but each pays according to his means.

But this money is not taken from us at the sweet will of some one man—the rate-collector, say. We elect people to represent us—the County Council which manages the affairs which affect the whole county—police, main roads, education and so on ; the Urban or Rural District Council which attends to the smaller roads, markets, street lighting and lesser affairs, and the Parish Council which looks after footpaths, local charities and other matters which concern our parish only. Big towns have their Borough Councils, or Corporations, which combine the duties of district councils and parish councils.

How much can be done, then, by clubbing

together, not only in our groups as engineers or railwaymen, or farmers and farm workers, but as people living in the same place and having the same needs. People differ very much as to how much ought to be done by the State or the local councils and how much by groups of private people. But in every case we should try to choose the method which will give us the best service in these things.

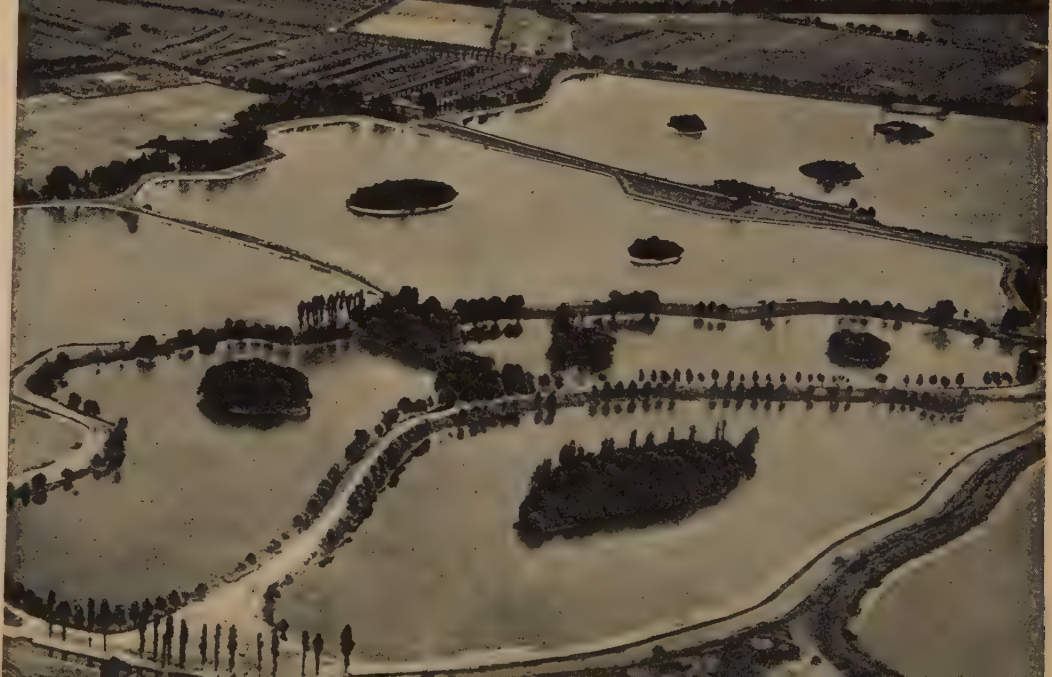
You ought to study these matters for yourselves as you get the chance, and you will see then that to do your duty as " citizens of no mean city " by taking an interest, and perhaps an active part in them, as soon as you are old enough, is one way of making your own lives happier and easier and of helping others to do the same. To be a good citizen is as important as to be a good man. Indeed, it is a great part of being a good man.

WATERWORKS
[A PUBLIC SERVICE]

THIS pleasant sheet of water with the islands dotted about it and the pathways winding through it is the Walthamstow Reservoir of the East London Waterworks. The water is obtained from the river Lea and is pumped up into the reservoir, where it is purified by passing through beds of charcoal and gravel, and is then distributed through pipes to the people of East London. Water is a gift of nature ; but it must be collected and purified before it is fit for the service of man in the big towns (see p. 122).

Some of our great cities get their water supply from places a long way off. Liverpool and Birmingham get theirs from the Welsh mountains, and Manchester from Thirlemere in Westmoreland. London, however, uses water from the Thames and the Lea, though a certain amount comes from artesian wells in Kent.

If you were to go to the South of France, you would see the bright, cold water from the Alps rushing along the stone "aqueducts" made by the Romans two thousand years ago. So you see that the need for pure water very early led to its supply as a public service. Indeed, we might go much further back, for we read in the Bible that Hezekiah supplied Jerusalem with water by means of a "conduit" and stored it in a pool or reservoir.



CHAPTER XX

YOUR COAT AND THE CLOTH

"CUT your coat according to your cloth" is a proverb you all know. If you are to do so, you must first know how much cloth you have to cut. Unfortunately, we are all inclined to think that we have more cloth than we actually possess.

In big industries, as you have been told, the wise trader, when he has a particularly good year, puts by a portion of the profit he makes to help him out when a bad year comes—as it certainly will. Because his business makes a profit of £20,000 in one year he doesn't say, "My business is worth £20,000 a year." Joseph became the second man in Egypt because he advised Pharaoh to store up a portion of the wheat grown in the seven fat years to provide for the seven lean years which he knew were to follow.

It is only by putting by for the rainy day that the manufacturer or shipbuilder who employs, perhaps, two thousand men, can be sure of being able to keep his works or his yard running in lean

times ; if he cannot, two thousand men will be thrown out of work, perhaps at a time when work is very hard to obtain. And just the same principle applies to any of us who have to work for our living. Old age will come, if we live long enough ; if we don't, there may be wife and children for whom we wish to provide, at any rate a nest-egg, until they can find ways and means of earning their own living ; or we may fall ill and be unable to work for a time. These are the ordinary chances of life against which every man ought to provide. One way of doing it is by insuring. By a weekly payment, called a "**premium**," a man may secure that, if he dies, a certain sum of money is paid to those he leaves behind him, even if he has only made one payment. This is a very good instance of how we all depend on one another. The premiums paid by those who live long provide the money to pay the claims of those who die soon. Insurance against sickness and unemployment is now secured by law in the case of many workmen. The employer, the worker and the State each contribute a weekly sum as premium, and the worker who falls sick or is out of work is entitled to draw so much a week.

Other ways of saving which are open to a man who can only put by a few pence a week are by joining one of the big Friendly Societies, such as

the Oddfellows, Free Foresters, or Hearts of Oak, or by paying into a Building Society and thus, in course of time, coming to own his house, and, perhaps, other houses as well. Every Trade Union also has its **benefit fund,** and then there is the Post Office Savings Bank. So there is a large choice.

But you will see that, in order to enjoy any of these benefits a man has to put by, week by week, something out of his earnings. If he spends them all to the last halfpenny, he is left destitute if trouble should come upon him.

There is more to be thought of than this, however. The rate of your weekly earnings may not be at all the same thing as your yearly income. Take three cases : a postman, a railway porter and a bricklayer. The postman gets, let us say, 35s. a week ; the railway porter gets 44s., while the bricklayer is paid 1s. 6d. an hour. If the latter makes good time, his weekly wage will be 72s. a week. You may say that the bricklayer is much the best off of the three. Let us see.

The postman is, apparently, the lowest paid. His yearly income is £91 a year. But he is in Government service, and, so long as he behaves well, he has his job for life. If he gets too old for work, he has a pension to look forward to. If you were to take the money he receives as pension and spread it over his earnings during,

say, his forty years of service, you would find that his real wages were a good deal more than the 35s. a week which we have supposed him to receive.

The railway porter, with an income of about £115 a year, on the other hand, has a safe and regular job. He will get his money wet or fine, and whether trade is good or bad. But he has no pension to look forward to. He must provide for his old age out of his wages, so that the real wage which he has to spend may be no more than the 35s. a week which is actually paid to the postman.

Now let us take the bricklayer. If he earned 1s. 6d. an hour for forty-eight hours a week all the year round, his yearly income would be about £188 a year. But for four months in the year he only works 44 hours a week, and for two months only 41 hours, so that 6s. a week has to come off for four months and 10s. 6d. a week for two months. And this is only if he has full-time employment; but in bad weather he is "stood off," and may, in winter time, only be able to work just a few hours each week. If there is a lot of bad weather, he may easily lose 600 hours in the year, which would mean a difference of £45 to him. He may earn more in some years; in others he may earn less; but he will be a very unwise man if he treats his

income as being £188 a year! If he is going to work with as easy a mind as the postman and the railway porter, he must be prepared to put aside a good deal more than they. For one thing, he will be an older man before he reaches his full wages, and, therefore, has fewer years in which to save.

Well, no doubt enough has now been said to show that wages must not be looked upon as if they were the same as income. When times are good, we must not let our money "burn a hole in our pocket." But if we are really to save, we must ask the help of some one else, because it is some one else who has the spending of our money.

You remember that "Lord" means "loaf provider," and "Lady" the "loaf divider." Perhaps it has never struck you that mother is the most skilled workman in the world. It is her task not only to divide the loaf evenly between the members of the family—you know, she often does it most unfairly, taking much less than her own share—but also, so to speak, to divide it between the "fat" years and the "lean" years. She must know how to buy the most useful things at the lowest price; she must know how to use up every little bit of food and cloth and boot-leather so that there may be no waste; she must scheme and contrive and make the home happy and comfortable, so that father

and all of us would rather stay in it than go elsewhere.

Learned people call what we have been thinking about " economics," which, as we told you in the first chapter, means simply the " management of the home." So now we have come right down to bed-rock. For everything begins in the home. If mother has the spending of father's wages, it is mother who can save something out of them each week, and, as we have seen, it is out of the savings of thousands of homes that the capital is found by means of which ships are built and sent on voyages to carry the things we make and bring the things we want; it is by means of these savings that the looms and spindles of Lancashire clack and whirr and that the great steam-hammers thud on the white hot steel. It is by means of these savings and the brain and muscle which use them that more wages are earned and more money saved in turn. And so it goes on, round and round, wealth ever increasing as the earth is subdued to the needs of man and yields her fruits.

But no one can be skilled without learning. Mother had to learn before she could manage the home. And, if she had to " buy her experience " after she married and set up house, it was probably a good long time before she could save anything. But perhaps granny was a good

manager and taught her all about it at home ; or, if she had to go out and earn her living when she left school, perhaps she was "in service," as it is called, and learned in other people's houses. If she had the luck to be with a good housewife, she would learn in that way better than in any other. When girls leave school and go out to work for their living, they should remember that, although work in a factory or shop may give them more liberty and more time to go to the "pictures," yet it is really far more important to learn how to manage their home when they have one of their own, and they will make a far happier life for themselves by so doing.

Remember always that all our life is built up on the home, and that as our home is well or ill-managed, so shall we be healthy and happy or ailing and miserable ; so shall we be able to have enough even if our income is small or be worried with debts, even if we are earning good money. There is much truth in what Mr. Wilkins Micawber said, in Dickens's *David Copperfield*, "Annual income twenty pounds, annual expenditure nineteen nineteen six—result, happiness ; annual income twenty pounds, annual expenditure twenty pounds ought and sixpence—result, misery."

CHAPTER XXI

CONFIDENCE AND CHARACTER

How far we have travelled from the days when our rude forefathers ate acorns in the forest and drank water from the streams: how far even from the days when Abraham ate the flesh and drank the milk of his flocks and herds and clad himself in garments woven from their hair and wool! This has come about because men have learned to work together and to trust each other —more or less.

We have seen in this little book that a gigantic machine has been built up, the pulleys and levers of which, so to speak, are at work all over the world. We have seen the men in the fields ploughing the land and sowing or reaping the corn; we have seen the men in the mines hewing coal or digging iron-stone; we have seen more men forging great bars and plates of steel or driving rivets into the ships' sides; yet more navigating those ships across the seas or working the trains from station to station on the railways;

you will think of yet others sitting in banks and counting-houses and poring over immense books. Each one of these is playing his part in bringing the loaf or the tea and sugar to our tables. We, on our part, tiny cogs in one of the thousand wheels of this great machine are—or should be—doing our share to supply the wants of those thousands—nay, millions—of people, a tiny part of whose task it is to supply ours.

But we have seen something more than this. "Give us this day our daily bread" takes a new meaning when we think of the ships which bring the corn, the long miles of steel rails over which it travels to the ports, the elevators and cranes with which it is loaded and unloaded. Buildings and machinery are required; the workers who produce the goods must have food and clothing and shelter while they are being produced; therefore there must be capital, which is the part of wealth previously produced which is saved for further production, and there must be credit, which means that the farmer, the corn-merchant, the miller and the baker must be allowed to defer payment until the wheat or flour or bread is sold, and the ironmaster, steel-maker, and shipbuilder must be able to borrow money from their bank to be repaid when payment is made to them for the goods they have delivered.

Now credit is from the Latin word *credo*,

"I believe," or "I trust." "**Credit**" means that a man can find people who will say, "I believe that you will be able and willing to pay, and therefore I trust you"; "I believe that you have, or will have, enough money in your bank to pay your debt to me, and therefore I take this little bit of paper with your signature upon it instead of good hard money." The people to whom a man owes money are called his "**creditors**," because they are people who have trusted him.

If you come to think of it, all work or business rests upon trust You have some potatoes to sell. You show John Smith a handful of them and he says, "That's a very good sample. I'll have a sack." He trusts you to fill the sack with potatoes as good as you have shown him. If he finds that those at the bottom of the sack are not so good, he will buy no more from you. The railway company puts a signalman into the signal-box and trusts him not to sit down to play cards or fall asleep, but to attend to his duty. And so it is all through. It would be impossible to carry on the business of life without confidence.

Now, on what does this "credit" in the narrower sense, or this "**trust**" in the wider sense, really depend? It depends on **character**. Mr. Grist, the miller, trusts Mr. Bunn, the baker, to pay at the end of the month for the flour

that he has let him have "on credit." But suppose Mr. Bunn, when he first sets up as a baker, is quite unknown to Mr. Grist. Mr. Grist would say, "I don't know anything about you. You must either pay ready money, or you must give me a reference." Mr. Bunn might give Mr. Grist the name of the bank which keeps his account, or, better still, he might give him the name of some friend known to them both who would speak for him to Mr. Grist. The friend would have to say that he knew Mr. Bunn to be a man of his word, sober and hard-working and skilled at his trade. Mr. Grist would give credit on the strength of the personal character of Mr. Bunn as given by their common friend. Finding that Mr. Bunn paid all right at the end of the month, Mr. Grist would trouble no more, but let him have the flour he wanted month by month without question.

Or take the case of Farmer Giles who wants an overdraft at his bank—that is to say, wishes to be allowed to draw money which he has not got there, between the time he sows his seed and the time he reaps his harvest. Farmer Giles can give what is called "security." He has his beasts and sheep and horses; he has corn stacks and hayricks and his ploughs and threshing machine. Farmer Giles agrees that, if he does not repay his overdraft, the bank shall have the

right to take possession of whatever stock may be on the farm and sell it. But to prevent Farmer Giles himself selling his corn or his fat cattle would be to ruin his business. So the bank really allows the overdraft because it trusts Farmer Giles to pay the money for anything he sells into the bank. If the bank manager knows him to be idle, careless, shifty, he will not trust Farmer Giles. So it is really on his personal character that the farmer is able to get his overdraft.

If we look at the wider matter of trust, you will see that the same thing is true. Indeed, you know it already if you will think about it. An engine-driver does not become an engine-driver straight off. He starts as a cleaner. He gets to know all about the insides of engines, and after a bit he becomes a fireman. Then he drives a yard engine; then a goods train, and, at last, has the glory of driving the great express—the "Flying Dutchman" or the "Flying Scotsman," perhaps. But it doesn't matter how much he knows about the insides of engines; unless he is sober, punctual, careful, truthful—in a word, reliable—he will never be trusted to drive even a yard engine. He is not fit for "**responsibility.**"

"**Character**" comes from a Greek word and means the "stamp" which is put upon a man, just as the King's head must be stamped upon the

coins before they can be used as money. We talk sometimes about a man's "sterling worth," and say he "rings true," both of which mean that he is known for an honest, sincere, straight-dealing fellow whom we can trust as we would take without question a coin from the Mint. It is not natural to be truthful, honest, industrious, unselfish and temperate in all things. When a little boy has done something he oughtn't to do, his first impulse is to say he hasn't done it. If he sees something he wants very much—the jam in mother's cupboard, for instance, he will take it till he learns better. If he finds his lessons hard, the little imp within him says, "Leave them, and go and play." If he has a packet of sweets which he likes very much, he will eat them all, and will not say, "I have had enough," and stop eating. He will take the last slice of cake away from his brother or sister, and he will cheat when he is playing games in order that he may win. When he grows up, unless he has learned to be fair and straight in his dealings with others, and to control his temper and his desires, he will have no "character." He will shirk difficulties instead of facing them; he will tell lies because it is easier than speaking the truth—and nobody will trust him.

If you have learned anything worth learning at school it is to be fair to one another, to be

truthful and honourable in your dealings with your teachers and thus to repay their trust in you. While we are at school we realise that we are part of a little world which can only be happy if there is give-and-take. We don't like the sneak, the bully, the cheat and the liar. You will find it just the same in the world outside.

We British people have got something to live up to. We have become the most successful traders on earth because foreign nations believe that our word is our bond and because the goods turned out from our factories are sound, honest goods, the work of men who do not "scamp" their work, as it is called. In South America when a man wishes to give a solemn assurance that he is speaking the truth, he says, "On the word of a Briton!"

To trust and show ourselves worthy to be trusted; to give as freely as we receive; to seek our own good in the good of others is the way —and the only way—to make a happy and prosperous world.

EXERCISES

N.B.—The questions marked with an asterisk are more valuable for oral revision and discussion : the rest will provide useful written exercises.

Questions to Chapter I

*1. Why is it useful to study Economics ?
*2. What are the " goods " we need most ?
3. How were men's wants supplied in early days, and how are they supplied now ?
4. The wheat from which your loaf is made comes from Canada or Australia. Write down as many as you can remember of the things needed before the loaf is placed on your tea-table.
5. In what ways are we dependent on others for the supply of these goods ?
*6. Why must we always give our best work ?
7. Write a short essay with the title " No man liveth to himself alone." Illustrate from your own life at school and at home.
8. In early days most people never saw a shop. How did they manage without shops ?

Questions to Chapter II

*1. What are " services " ?
2. Name some of the services we all require.
3. What advantages do we gain by joining together to obtain a service, such as water supply or the post office ?
*4. Why should we look upon our work as a service rendered to others ?
5. Compare the way in which messages were carried in the old days with those in use now.
6. Show that the growth of civilisation has depended to a very great extent on the development of means of communication. What means of communication exist now, that did not exist in King Alfred's time ?
7. What do you think the following phrases mean : —The Army Service Corps, the Civil Service, Domestic Service, a Church (or Chapel) Service ?
8. The last line of Milton's famous sonnet " On His Blindness " is :
" They also serve who only stand and wait."
Read the whole sonnet, and then write down what you think that last line meant to him.

Questions to Chapter III

1. What does a man really get in exchange for his work in producing goods or giving services ?
2. Explain the system of " barter."
3. Why would it be inconvenient to obtain the goods and services we need by barter ?

4. Why was money useless to Robinson Crusoe? When did it become of value to him?
5. "Trade always ought to be of advantage both to the buyer and the seller." Why ought it? What would you expect to happen if a bootshop sold boots that were of very poor quality?
6. How do you account for the fact that Captain Cook's handful of beads, worth here only a penny or so, would buy a pig in the South Sea Islands?
7. Write a conversation between an allotment-holder who has no money but wants to buy meat with a butcher who has a vegetable garden of his own.
8. Less than a hundred years ago many men and women were paid for their work in factories or mines not by money but by goods which they had to obtain at their employer's store. Can you see any disadvantages in this? Find out from your history books when this system (the Truck system) was made illegal.

Questions to Chapter IV

*1. What is money?
*2. What is money used for?
3. What are the advantages of using money?
*4. What is our "standard" coin and how much is it worth?
5. If your father earns a shilling an hour, what does your mother really pay for two quartern loaves of bread costing 9d. each?

6. How might you be better off with lower wages than with higher ?
7. Make up a story showing how marbles might be used as money in your class. What would be the effect on " prices " in that class if half the marbles were lost ? Or if the supply of marbles were doubled ?
8. Has a £5 note always the same purchasing power ?

Questions to Chapter V

*1. What is paper money and what is it used for ?
*2. How many kinds of paper money are in use ?
*3. What are cheques and Bills of Exchange ?
4. Why are cheques so often used in business ?
5. Why is a German miner worse off now than before the war although he receives more marks now as wages than he did then ?
6. When is a cheque said to be dishonoured ? Why do many shopkeepers and hotelkeepers refuse to take cheques in payment ?
7. Farmer Giles buys two horses from Farmer Glebe and pays with a cheque for £100. Describe what happens to that cheque.
8. In the fourteenth century many workers were paid only a penny a day, and yet were able to live on it. How do you explain this ?

Questions to Chapter VI

*1. Where do the goods a man needs for his bodily life first come from ?

2. How did man increase the amount of goods he could produce ?
*3. Enumerate the things required (*a*) from Nature, (*b*) from man, before man can produce a crop of wheat.
*4. Why should men work smoothly together ?
5. Discuss which was the more important in a remote village of King Alfred's time, hand work or brain work ? Is one more important than the other now ? Give your reasons.
6. How is it that nowadays some people do little but brain work, and others little but hand work ?
7. Can you think of any practical illustration of this sentence, " The more the brain worked, the less the hand had to do ? "
8. Show how England depends on other countries for food and clothing.

Questions to Chapter VII

*1. What are savings ?
*2. Why should we save ?
*3. What is " capital " ?
*4. What are its uses ?
5. What are " interest " and " investments " ?
6. When you have saved £100, in what different ways might you use it ?
7. Show that all the following are *capital* :—a carpenter's bag of tools, an historian's books, a milkman's pony and cart, a gardener's spade.
8. What *capital* is necessary for a charwoman, a greengrocer, a schoolboy or girl, a teacher, a knife-grinder, a painter, etc. ?

Questions to Chapter VIII

*1. What does the word " Limited " mean applied to a business—*e.g.* " Huntley & Palmers Ltd.," or " Peek, Frean Ltd." ?
2. Describe how a business is turned into a Limited Liability Company.
3. What is the difference between a Partner in a business and a Shareholder in a Limited Liability Company ?
4. How can you become a " Capitalist " ?
5. Make a list of the six Companies which have shops or works nearest to your school. See if any of them appear in the share lists in a newspaper, and what their shares are worth.
6. Why are the shares in some Companies worth more than they originally cost, and some worth less ?
7. What happens to the *profits* of a Limited Liability Company ?
8. Why is it necessary for men to club together to form Companies ?

Questions to Chapter IX

*1. Name some of the things required for building a ship.
2. For what purposes does the shipbuilder need Capital ?
*3. What is meant by—
   (1) " Fixed Capital " ?
   (2) " Liquid (or working) Capital " ?

4. How can the shipbuilder get the use of Capital without getting new shareholders ?
5. How is the money found to replace the ship when she wears out ?
6. Suppose instead of the building of a ship we had taken the building of a large factory as an example ; describe the way in which it is paid for.
7. Tools wear out, so does capital. How can capital be replaced ?
8. " The more waste, the less work." Show the truth of this, as applied to capital during a great war.

Questions to Chapter X

*1. What did Sir William Opie mix his colours with ? What did he really mean ?
2. How has invention lightened the task of industry and increased its reward ? Give instances.
3. How are capital, brains and muscle all necessary in producing goods ?
4. Mention six occasions to-day when you have used the brains of other people.
5. Show how the invention of machines instead of making *less* work has made more.

Questions to Chapter XI

1. What are the duties of a manager ?
2. Why is management a most important part of a business ?

3. What are the advantages of combining " Head work " and " Hand work " ?
4. Why are skilled workers paid more than non-skilled ?
5. How does Mr. Plum, the grocer, get paid for his work, and how are Bill Jones and Edward paid for theirs ?
6. Which is likely to be of the greatest service to mankind, the educated workman or the uneducated ? Why ?
7. Discuss whether it is fair that, as a general rule, brain workers are paid better than hand workers.
8. What are the qualities that should be possessed by a good captain of a football, hockey, or cricket team ? Are there any other qualities that a good " works' manager " should have ?

Questions to Chapter XII

1. What is meant by the " Division of Labour " ?
2. What are the advantages of many men making each a different part of a commodity over one man making the whole ?
3. Compare, shortly, the men in a workshop to a football team.
4. What are the disadvantages of the division of labour in, for example, a boot-factory ?
5. How should a worker who has little brain work during the day try to use his leisure ? Why ?
6. Why is it that libraries, museums, art galleries, and concerts have become so much more important in the last hundred years ?

Questions to Chapter XIII

1. What is the difference between total takings and profit?
2. What deductions have to be made from total takings?
3. How is a profit made?
*4. Explain "overhead charges" and "working expenses," "stock-in-trade."
*5. What is the difference between "wholesale" and "retail"?
6. Why are retailers, such as grocers, necessary?
7. Suppose a shopkeeper's expenses are week after week more than his takings. What would you advise him to do?
8. What is a profiteer?

Questions to Chapter XIV

1. What different charges have to be provided for before the profit earned by a company is divided among the shareholders?
2. Why do people look for bigger profit from, say, a coal-mine than they do from railway shares?
3. Why is it necessary for every business to have a *reserve*?
4. Which is the safest investment, 5 per cent. War Loan, 8 per cent. colliery shares, 15 per cent. diamond mine shares? Why?
5. Is it always true that a high rate of profit is a sign of riskiness?
6. Can you think of any causes of bad trade, for example in the cotton industry, that are beyond the control of man?

Questions to Chapter XV

1. Why is this country so dependent on its shipping industry?
*2. Say where wheat, wool, cotton, tea, sugar, tobacco, chiefly come from.
*3. What are "imports" and "exports"?
*4. What are our chief exports?
5. Why must we continually export?
6. The value of our imports is generally greater than that of our exports. How is the balance made up?

Questions to Chapter XVI

1. Describe how Mr. Bunn, the baker, gets flour from wheat grown by Mr. Wallaby, the Australian farmer.
*2. What is a "middleman"?
*3. What is credit?
4. What is "discount," and what do we mean when we say that Mr. Wallaby "accepts" a Bill of Exchange?
5. How is Mr. Wallaby really paid for his wheat?

Questions to Chapters XVII and XVIII

1. In what ways do we all use land?
2. What are the first things needed to make land useful?
3. What is rent and why is it paid?
4. Why is urban land more valuable than agricultural?
5. What does the landlord provide for the farm?

Questions to Chapter XIX

*1. Name some "services" which we get from the State and from Local Councils or from the two combined.
2. What do we pay (*a*) to the State, (*b*) to the Local Council?
3. What are Direct Taxes and what are Indirect?
4. What is the meaning of "citizen" and "polite"?

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